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OPERATING AGREEMENT

AGREEMENT made the 7 day of July, 1986.

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BETWEEN: CANADA MORTGAGE AND HOUSING CORPORATION
hereinafter called "CMHC"

- and - MANITOBA HOUSING AND RENEWAL CORPORATION
hereinafter called "The MHRC"

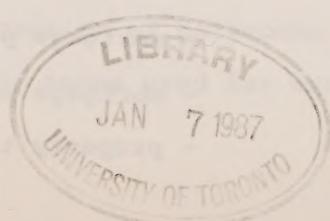
WHEREAS the Government of Canada ("Canada") and the Government of Manitoba ("Manitoba") have entered into a Global Agreement on Social Housing ("the Global Agreement") dated the 6th day of February 1986 enabling the parties thereto to share the cost of any social housing programs or initiatives which they wish to foster jointly;

AND WHEREAS Canada and Manitoba have agreed in the Global Agreement to cause this Operating Agreement to be entered into for the purpose of carrying into effect the principles of the Global Agreement;

AND WHEREAS the Global Agreement applies to programs delivered through housing agencies defined in this Agreement;

AND WHEREAS CMHC and the MHRC are housing agencies of Canada and Manitoba respectively.

NOW THEREFORE THIS AGREEMENT WITNESSETH that the parties hereto, in consideration of the mutual covenants hereinafter contained, agree each with the other as follows:



1. DEFINITIONS

- (a) The definitions contained in the Global Agreement shall apply to this Agreement.
- (b) "Act" means the National Housing Act.
- (c) "Active Party" means the party responsible for the delivery and administration of a program.
- (d) "Adjusted Income" means adjusted household income as described for each program in Schedule A.
- (e) "Administration" means all activity associated with a given program after a project's Interest Adjustment Date or commencement of subsidy assistance, including loan, project and agreement administration.
- (f) "Affordable dwelling" for purposes of determining Core Housing Need means a dwelling for which basic shelter costs are less than 30% of a household's income as defined in 1(s).
- (g) "Average market rent" means average basic shelter costs in a specific geographic area for unsubsidized, non-farm, rental dwellings where rent is reported as greater than zero and where no rent is attributable to commercial space.
- (h) "Basic shelter costs" for homeowners for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:
 - mortgage payment of principal;
 - mortgage payment of interest;
 - property taxes;

- payments for oil, gas, coal, wood or other fuels;
- payments for electricity;
- payments for water, sewerage and related costs;
- payments for regular maintenance and repair.

"Basic shelter costs" for renter households for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:

- rent;
- payments for oil, gas, coal, wood or other fuels, electricity, water, sewerage and related costs.

- (i) "Budgetary Expenditures" means transactions which affect the deficit or surplus of the Governments of Canada or Manitoba including subsidy assistance, net operating losses, loan forgiveness or recovery of non-budgetary expenditures and administrative expenditures.
- (j) "Commitment" means a written undertaking to finance or subsidize a specifically identified unit or project and to incur budgetary or non-budgetary expenditures related thereto.
- (k) "Cost-Sharing" means the sharing between Canada and Manitoba of the eligible program costs covered by this Agreement according to the terms, conditions, frequency of payments and method or methods of calculation as set out in this Agreement and in Schedule A.
- (l) "Crowded dwelling" means a dwelling with more than one person per room with the exception of bathrooms, halls, pantries and closets, and any rooms used for business

purposes; all rooms in the dwelling considered separate by the household are counted.

- (m) "Delivery" means all activity associated with a given program prior to a project's Interest Adjustment Date or commencement of subsidy assistance. This includes direct dealings with clients or the overseeing of a sponsor or delivery agent who deals directly with the client.
- (n) "Federal Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by CMHC for the purposes of this Agreement.
- (o) "Financing Interest" means the interest charges on net disbursements made by the Active Party on behalf of the other party.
- (p) "Global Agreement" means the enabling document referred to in the recitals above and signed by Canada and Manitoba on the 6th day of February, 1986.
- (q) "Housing Agency" means CMHC, the MHRC, or any municipality, non-profit corporation or Native organization with whom CMHC or the MHRC may enter into agreements to carry out any program or initiative covered by the Global Agreement and this Agreement.
- (r) "Inadequate dwelling" means a dwelling needing major repairs or lacking basic facilities. Major repairs include, but are not limited to, defective plumbing, defective electrical wiring, structural repairs to walls, floors, ceilings. Basic facilities are hot and

cold running water, an indoor toilet and a bathtub or shower.

- (s) "Income", for purposes of determining Core Housing Need, means total income (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.
- (t) "Native" means Metis, non-status Indian, Indian as defined in the Indian Act, or Inuit.
- (u) "Non-Budgetary Expenditures" means transactions which will be reflected in the accounts of Canada or Manitoba as an increase or decrease of assets and which will not increase or decrease their surplus or deficit. This includes loans or investments.
- (v) "Planning and Monitoring Committee" means the committee cited in the Global Agreement and described in section 6 of this Agreement.
- (w) "Priority Groups" means all those households in Core Housing Need, as defined in the Global Agreement.
- (x) "Provincial Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by Manitoba or its municipalities for the purposes of this Agreement.
- (y) "Renovation" means any work undertaken on an existing dwelling, including repair, rehabilitation, improvement or conversion of the dwelling.

(z) "Rural" means rural areas or communities having a population of 2500 persons or less, unless otherwise specified in Schedule A.

(aa) "Special purpose housing" means hostel or self-contained housing, used as a principal residence, which includes on-site care services and facilities, excluding food, related to residents' common physical, social and emotional condition or disability.

(bb) "Suitable dwelling" for purposes of determining Core Housing Need, means a dwelling which can accommodate a household according to the following household size/dwelling size relationship: 1 person - studio; 2 people - 1 bedroom; 3-4 people - 2 bedrooms; 5 or more people - 3 or more bedrooms.

(cc) "Urban" means communities having a population of more than 2500 persons, unless otherwise specified in Schedule A.

(dd) The definitions contained in the Act shall apply to this Agreement.

2. SCOPE OF THE OPERATING AGREEMENT

(a) The recitals herein shall form an integral part of this Agreement.

(b) This Agreement applies to the acquisition, development, construction, renovation and provision of projects; assistance for households; and to the delivery and administration of programs covered herein.

(c) This Agreement applies to all new commitments made under the following programs and any future programs of CMHC and the MHRC which are consistent with the goals and objectives of the Global Agreement and are agreed to between the parties:

- Non-Profit Housing Program
- Urban Native Non-Profit Housing Program
- Rent Supplement Program
- Rural and Native Housing Program, Homeownership and Rental

(d) In 1986, the MHRC will continue to act as CMHC's delivery agent for a portion of the rural component of the Homeowner Residential Rehabilitation Assistance Program. It is agreed that the MHRC will cost-share at a minimum 25 per cent the entire rural component of the Homeowner Residential Rehabilitation Assistance Program no later than January 1, 1987.

The parties will continue negotiations to seek agreement by no later than 1 January, 1987, whereby the MHRC will deliver and will cost-share at a minimum 25 per cent the urban portion of the Homeowner Residential Rehabilitation Assistance Program, the Rental Residential Rehabilitation Assistance Program, the Residential Rehabilitation Assistance Program for the Disabled and the Emergency Repair Program.

(e) The Global Agreement enables either party to initiate or develop new programs which may be cost-shared by them with the approval of the other party. Whenever Canada or Manitoba decide to initiate a new program which is to be cost-shared they shall provide a description of such program to be included as part of

Schedule A to this Agreement. This Schedule shall be duly reviewed and, once approved, signed by the MHRC and CMHC and will include further details such as administrative and financial arrangements, and other program details which are necessary.

3. FEDERAL RESPONSIBILITIES

(a) Within the limits of approved budgets CMHC agrees:

i) to insure loans made by approved lenders for capital financing for housing projects under Part I of the Act;

ii) to make loans under Section 34.15 of the Act for the purposes established in this Agreement;

iii) to provide contributions or loans pursuant to Section 34.16 of the Act for the purpose described therein;

iv) to make contributions pursuant to Section 34.161 of the Act toward payment of housing expenses;

v) to make loans under Section 37.1 of the Act for proposal development funding;

vi) to make grants available pursuant to paragraph 37(1)(e) of the Act for training programs or educational facilities;

vii) to make Rural and Native housing projects available pursuant to Section 40 of the Act in accordance with an agreement entered into under that section;

viii) to make housing projects available pursuant to Section 55 of the Act;

ix) to make contributions pursuant to Section 56.1 of the Act to eligible contribution recipients to enable them to meet the costs of rental accommodation and reduce the rentals thereof.

(b) All loans, contributions and other assistance referred to in subsection (a) shall be subject to the provisions of the Act, this Agreement and the Global Agreement.

4. CONDITIONS FOR PROVINCIAL DELIVERY AND ADMINISTRATION

(a) The MHRC may assume responsibility for the delivery and administration of any program covered by this Agreement, subject to the fulfillment of the following conditions for such programs which it delivers and administers. It is understood that the MHRC shall assume responsibility for on-going program administration for any program which it delivers.

i) The Parties shall share the eligible program costs, as set out in Schedule A, for such programs which are covered by this Agreement.

ii) The MHRC shall direct assistance under such programs to eligible clients for each program as specified in Schedule A. Over any three-year period the MHRC may direct no more than an average of 10 percent of Manitoba's total allocation for the Non-Profit Housing, Rural and Native Housing Homeownership and Rental, Urban Native Non-Profit Housing and Rent Supplement Programs to special purpose housing.

- iii) The MHRC shall deliver and administer such programs in accordance with the Act, the Regulations thereunder, the provisions of Schedule A and mutually agreed upon guidelines for each program.
- iv) The MHRC shall participate in a joint planning process with CMHC, and shall provide on a timely basis all information outlined in this Agreement and Schedules A and C to ensure program objectives and accountability of both the federal and provincial governments, including financial requirements, are met.
- v) The MHRC shall ensure access to delivery of such programs by sponsors, delivery groups or agents specified in Schedule A for each program.

- (b) The above does not preclude, with the agreement of both parties, delivery and administration of programs by CMHC where those programs are cost-shared by the MHRC.

5. RESPONSIBILITIES OF THE ACTIVE PARTY

- (a) The Active Party agrees:

- i) to establish and implement program procedures, and to deliver and administer programs in an efficient and effective manner;
- ii) to undertake, inter alia, the assessment of project feasibility, project selection, project development, inspection, certification of project commitment, client selection, development of

occupancy guidelines, verification of occupant incomes, approval of project annual operating budgets, calculation of eligible project costs, and loan, subsidy and project administration.

(b) The Active Party shall be responsible for ensuring the program objectives and guidelines are met, consistent with the conditions covered in Section 4 of this Agreement.

6. PLANNING AND MONITORING COMMITTEE

(a) CMHC and MHRC shall establish a Planning and Monitoring Committee which they shall chair jointly.

(b) CMHC's co-chairperson shall be the Provincial Director for Manitoba and MHRC's co-chairperson shall be the Deputy Minister of Housing.

(c) The Committee shall meet no less than four times annually and shall meet at the call of either co-chairperson.

(d) The mandate of the Planning and Monitoring Committee shall be to conduct the joint planning process described in Section 7 and to monitor the implementation and achievements of the three-year plan.

(e) The functions and responsibilities of the Planning and Monitoring Committee shall include:

i) reviewing the three-year plan prepared by the MHRC for those programs where the MHRC is the Active Party, in accordance with the provisions of Section 7;

- ii) reviewing the three-year plan prepared by CMHC for those programs where CMHC is the Active Party, in accordance with the provisions of Section 7;
- iii) proposing revisions to the consolidated three-year plan;
- iv) reviewing on a regular basis the progress during the year of the implementation of the plan, including budgetary and non-budgetary expenditures and their related cash flows;
- v) undertaking a thorough annual analysis of the achievement of the objectives set out in this Agreement and put into effect through the three-year plan;
- vi) preparing, reviewing and following-up on operational audit plans and recommendations;
- vii) proposing modifications to the programs covered by this Agreement, and to program guidelines including adjustments to market rents and Maximum Unit Prices, and reviewing the annual costs of delivery and administration;
- viii) monitoring conformity with the provisions for publicity and information outlined in Section 17 of this Agreement;
- ix) providing a forum for the sharing of information resulting from research, studies, surveys and other activities;

- x) monitoring compliance with the Global Agreement and this Agreement, including the identification of contentious issues or failure to comply with the terms and conditions of both Agreements;
- xi) such other functions and responsibilities as the parties may mutually agree upon.

7. JOINT PLANNING PROCESS

- (a) The MHRC and CMHC shall undertake a joint planning process for the purpose of developing an ongoing three-year plan which identifies the most cost-effective and appropriate social housing strategy to meet the objectives of the Global Agreement and of the Schedules to this Agreement.
- (b) The Planning and Monitoring Committee shall undertake the following functions:
 - i) the exchange of data, research, survey results and any other information relevant to the determination of social housing needs and market conditions;
 - ii) the recommendation by the geographic areas listed below, of the need by priority groups for new or acquired housing, rent supplement assistance and renovation assistance and of the need for special purpose accommodation, and the development of the most appropriate strategy to address those needs;

- The southeastern area of Manitoba. Ontario is its eastern boundary and the international boundary at the south, extending west to the city of Winnipeg (Census Divisions 01, 02 and 12);
- The region southwest of Winnipeg on the international border (Census Divisions 03 and 04);
- The southwestern region of the province. The international border in the south and the Saskatchewan border in the west (Census Divisions 05, 06, 07, and 15);
- The area directly to the west and northwest of Winnipeg (Census Divisions 08, 09 and 10);
- The city of Winnipeg (Census Division 11). For planning purposes, information on the Winnipeg CMA may be used and adjustments made to the appropriate regions;
- The area directly north of Winnipeg between Lake Manitoba and Lake Winnipeg (Census Divisions 13, 14, and 18);
- The Parkland's region of the province (Census Divisions 16, 17 and 20);
- The extreme northern portion of the province (Census Divisions 19, 21, 22, and 23).

iii) the recommendation of a proposed level of annual activity over the three-year period, in each geographic area, for each program covered by this Agreement, taking into account the identified needs, the activities in prior years of the plan, social housing programs of either party not covered by this Agreement, and factors affecting delivery capability;

iv) for the Native component of Rural and Native Housing Programs, the functions identified in (i) to (iii) above shall be undertaken by the RNH Tripartite Management Committee and the results incorporated in the proposed three-year plan;

v) the forecasting of annual budgetary and non-budgetary requirements over the three-year period, for each program covered by this Agreement in a manner acceptable to the parties as outlined in Schedule A;

vi) the review of a proposed consolidated three-year plan covering each year of the planning period.

- (c) Members of the Planning and Monitoring Committee shall submit the proposed consolidated three-year plan to their respective agencies for required approvals.
- (d) CMHC and the MHRC, respectively, shall seek the necessary budgetary authorities on the basis of the approved three-year plan, and shall communicate receipt of authorized annual budget levels to the other party.
- (e) The approved three-year plan and annual budget authorities shall be appended to this Agreement as Schedule B and shall be updated annually.
- (f) Members of the Planning and Monitoring Committee shall submit to their respective agencies for required approvals, any proposed major changes affecting allocations to client groups and geographic areas or any proposed increases to approved budgetary or non-budgetary requirements identified in the approved three-year

plan. Changes to allocations among programs are subject to the provisions of Section 12 of this Agreement.

(g) The joint planning process shall be undertaken in accordance with the calendar contained in Schedule C.

8. INFORMATION REQUIREMENTS

(a) The Active Party shall collect and make available to the other party all information, including financial requirements, necessary to ensure program objectives and accountability are met. This information will be provided at specified intervals, during the planning, delivery, commitment and post-commitment stages and for the duration of federal and provincial financial assistance to a project.

(b) The Active Party agrees to provide, from time to time, to the other party such additional information needed to enable both parties to be accountable for actions taken under the programs.

(c) The information requirements specific to individual programs are outlined in Schedule A.

9. EVALUATION

(a) The parties may undertake, where possible, joint program evaluations, in accordance with the provisions of Subsection 4.5 of the Global Agreement.

- (b) Evaluations shall be undertaken for each program covered by this Agreement, on a cyclical basis at three to five year intervals.
- (c) Program evaluations shall be undertaken to determine the continued need for programs, their effectiveness in meeting objectives, their results and impacts and alternative program design and delivery features.
- (d) Program evaluations shall be based on information available on an on-going basis, as outlined in Schedule A, as well as periodic surveys, research studies and other sources of data and analysis. Any such studies, when undertaken for joint evaluations, shall be cost-shared by the parties. Where evaluations are undertaken by one party individually, the parties shall cooperate fully with each other in collecting and sharing information.
- (e) In order to identify information requirements for program evaluations, the parties agree to develop plans for future evaluations, within six months of the signing of this Agreement.
- (f) Program evaluations undertaken jointly shall be done in accordance with the governing authorities of the parties' respective governments.

10. OPERATIONAL AUDITS

- (a) The parties shall undertake joint operational audits in accordance with the provisions of Sub-section 4.6 of the Global Agreement to determine whether the programs

are being delivered and administered in accordance with the Global and Operating Agreements and the related guidelines.

- (b) Operational audit is an audit undertaken to assess the adequacy of management controls and processes; the propriety of transactions, the economy, efficiency and administrative effectiveness of delivery and administration systems; and the compliance by the Active Party to the terms and conditions of the agreements and program guidelines.
- (c) Operational audits shall be undertaken for each program covered by this Agreement on a cyclical basis within a four-year period.
- (d) The scope, timing, resources, and cost-sharing arrangements for operational audits shall be mutually agreed upon.
- (e) The operational audits shall not duplicate other audits performed.
- (f) The parties agree to develop plans for the first cycle of operational audits within six months of the signing of this Agreement.

11. ALLOCATION

- (a) The allocation process shall be as outlined in Section 5.3 and Schedule 1 of the Global Agreement.

- (b) Over any three-year period no more than an average of ten percent (10%) of Manitoba's total allocation for the Non-Profit Housing, the Rural and Native Housing Homeownership and Rental, the Urban Native Non-Profit Housing and Rent Supplement Programs may be used for special purpose housing.
- (c) The remaining social housing allocation shall be distributed among the programs covered by this Agreement as specified in the approved three-year plan.
- (d) Taking into account those aspects of the planning process listed in clause 7(b)(iii), the Active Party shall assist families and senior citizens within the priority groups with the intent to direct this assistance in accordance with their share of Core Housing Need relative to each other.
- (e) Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.
- (f) The Active Party shall assist Natives in accordance with the Native targets specified for each program. In Manitoba, the Native target for the Rural and Native Housing Programs, which include homeownership and rental housing is 79%; for the rural component of the Homeowner Residential Rehabilitation Assistance Program is 69%; and for the Urban Native Non-Profit Housing Program is 100%.

12. REDISTRIBUTION OF FUNDS AND UNITS

Redistribution of funds or units among programs, but not between budgetary and non-budgetary allocations, may be made, subject to the following conditions:

- (a) The redistribution shall be permitted only with respect to the funds or units planned for year one of the three year plan as set out in Schedule B of this Agreement and consistent with the financial authorities of each party.
- (b) The Active Party may redistribute up to 10 percent of the allocation for those programs which it delivers and administers.
- (c) The Active Party shall notify the other party of any redistribution. Any redistribution which exceeds the limits specified must receive the prior approval of both parties.
- (d) CMHC shall take steps to review the existing controls over redistribution with the intent of providing increased flexibility.

13. INSURED LOANS

- (a) This section applies to the Non-Profit Housing and Urban Native Non-Profit Housing Programs for which financing is provided by approved lenders and insured by CMHC under Part I of the Act.

- (b) The MHRC shall be responsible, on behalf of CMHC, for the underwriting process for insuring loans provided by approved lenders, including site and plans examination, appraisal, cost estimates, determination of loan amount, and approval of financing terms and conditions.
- (c) The MHRC shall prepare a commitment letter to the lender for approval by CMHC. Where the commitment letter has been approved, CMHC shall issue to the lender an undertaking to insure, upon receipt from the MHRC of a notice of commitment and submission by the approved lender of the required underwriting documentation.
- (d) The MHRC is responsible for authorizing all advances and undertaking inspections to ensure compliance with the plans and specifications and applicable building standards, and to determine the value of the work in place.
- (e) CMHC will issue an insurance policy to the approved lender upon notification by the MHRC that the loan is fully advanced and the interest adjustment date has been set.
- (f) No application fees will be charged by CMHC or the MHRC and no premium will be due to CMHC for the underwriting and issuance of the insurance policy.
- (g) Claims by approved lenders on the Mortgage Insurance Fund will be processed by CMHC pursuant to the Act, the National Housing Loan Regulations and applicable guidelines in effect from time to time.

(h) CMHC and the MHRC shall enter into an agreement regarding the cost-sharing of any costs which may be sustained by the Mortgage Insurance Fund. The agreement shall specify the terms and conditions for disposition of any properties acquired, based on the following cost-sharing principles:

i) The MHRC and CMHC shall share the costs related to that part of a project assisted by CMHC under this Agreement according to the cost-sharing arrangements for the program through which the project was assisted;

ii) The MHRC shall assume all costs related to that part of a project not assisted by CMHC under this Agreement.

14. NON-BUDGETARY COMMITMENTS AND EXPENDITURES

(a) This section applies to the Rural and Native Housing Program and Proposal Development Funding for the Non-Profit Housing Program, and the Urban Native Non-Profit Housing Program, for which non-budgetary expenditures are provided under Sections 34.15, 34.16, 37.1, 40 and 55 of the Act.

(b) The MHRC and CMHC shall share eligible non-budgetary expenditures, in accordance with the provisions of Schedule A. The parties shall not share any non-budgetary expenditures which are not included in, or which are in excess of, eligible program costs, unless otherwise agreed to.

- (c) The Active Party shall approve commitments to incur non-budgetary expenditures and shall deliver to the other party a notice of commitment, on a mutually acceptable form, within five (5) working days of making the commitment. Receipt of a notice of commitment shall be acknowledged in accordance with the program guidelines.
- (d) Commitments shall be made at interest rates acceptable to both parties.
- (e) Prior to commitment of non-budgetary funds, the Active Party shall be responsible for reviewing applications and proposals to ensure compliance with criteria, as outlined for each program in Schedule A. No acquisition, construction, or renovation shall be started before a commitment has been approved.
- (f) During the advancing phase, the Active Party shall be responsible for ensuring that appropriate controls are in place and that, prior to authorizing any advance, the necessary requirements, as outlined for each program in Schedule A, have been met.
- (g) The parties shall not commit units or non-budgetary funds in excess of approved annual budgets contained in Schedule B. Any proposed increases to non-budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (h) The budget period for non-budgetary commitments is the calendar year. To the extent that units and the related non-budgetary expenditures are not committed by December 31, they shall lapse.

- (i) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (j) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority shall be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current year's budget. Each commitment increase, cancellation, or decrease shall be reported by the Active Party to the other party, on a mutually acceptable form.
- (k) Except in extenuating circumstances, each to be mutually agreed upon, commitments shall lapse if construction or acquisition of a project, or renovation of a project has not been started within six (6) months of the date of the notice of commitment or approved application.

15. BUDGETARY COMMITMENTS AND EXPENDITURES

- (a) This section applies to budgetary commitments and eligible budgetary expenditures which shall be cost-shared by CMHC and the MHRC for each program, as set out in Schedule A.
- (b) The Active Party shall approve commitments to incur budgetary expenditures and shall deliver to the other party a notice of commitment on a mutually acceptable form. Where an insured loan is being sought, the notice of commitment shall be submitted to CMHC with the request for an undertaking to insure. Where an insured loan is not required, the Active Party shall

deliver to the other party the notice of commitment within five (5) working days of making the commitment. Receipt of a notice of commitment shall be acknowledged in accordance with the program guidelines.

- (c) The parties shall not commit units or disburse amounts in excess of approved budgetary limits contained in Schedule B. Any proposed increases to budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (d) The budget period for budgetary commitments is the calendar year and for budgetary expenditures is the fiscal year ended March 31. To the extent that units or budgetary commitments are not committed by December 31 and budgetary expenditures are not incurred by March 31, they shall lapse.
- (e) The parties shall not share any budgetary expenditures which are not included in, or which are in excess of, the eligible program costs outlined in Schedule A, or which are incurred prior to commitment, unless otherwise agreed to.
- (f) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (g) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority may be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current year's budget.

Each commitment increase, cancellation, or decrease shall be reported by the Active Party to the other party on a mutually acceptable form.

- (h) Except in extenuating circumstances, each to be mutually agreed upon, commitments shall lapse if construction, acquisition or renovation of a project has not been started within six (6) months of the date of the notice of commitment or approved application.
- (i) Proceeds on the sale, demolition or destruction of assets under a program shall be shared in proportion to the share of budgetary expenditures for that program.

16. FINANCIAL REPORTING AND CLAIMS SETTLEMENT

- (a) The Active Party shall submit all claims for settlement relating to budgetary and non-budgetary expenditures, net of any monies received, on a monthly basis within thirty (30) days of the end of the month to which the disbursements/receipts relate.
- (b) The Active Party shall be reimbursed by the other party for financing interest on net expenditures, as specified in Schedule A, provided that an interim settlement is submitted no later than thirty (30) days after the month in which the Active Party incurred the expenditures.
- (c) The Active Party shall pay financing interest on the other party's share of budgetary and non-budgetary receipts in a manner as specified in Schedule A.

- (d) Interim and final settlements shall be submitted in the format specified in Schedule A or as mutually agreed by both parties.
- (e) All claims for settlement shall be certified by a senior financial officer of the Active Party.
- (f) The Active Party shall submit to the other party by April 30 of each year, a statement of budgetary expenditures incurred but not disbursed, as at the preceding March 31.
- (g) The Active Party shall submit to the other party, by June 30, an audited final statement of expenditures by program for the previous year ended December 31. Should this statement not be received by June 30, the other party may retain a holdback on current year claims equal to 5% of the claims paid for the previous fiscal year. Notwithstanding section 16(b), no financing interest will be payable on this holdback.
- (h) The final statement of expenditures shall be audited by an auditor acceptable to both parties.
- (i) The auditor of the final statement of expenditures shall state whether the audit was performed in accordance with generally accepted auditing standards, whether the statement presents fairly the expenditures by programs, and whether the expenditures were incurred in accordance with the financial terms and conditions of the Operating Agreement and program guidelines.

17. PUBLICITY REQUIREMENTS

CMHC and the MHRC will cooperate in the development and implementation of a program of public information and publicity respecting projects and programs funded pursuant to this Agreement that accurately reflects the respective roles and contributions of Canada and Manitoba, with all costs related thereto being jointly shared. Without limiting the generality of the foregoing, such program will require that:

- (a) unless otherwise agreed by both Parties, during the course of carrying out work on any project, the Active Party shall supply, erect and maintain a project sign specifying that the project is being financed by Canada and Manitoba;
- (b) unless otherwise agreed by both Parties, upon completion of work on each project, the Active Party shall supply, erect and maintain a sign or plaque to the effect set forth in clause (a);
- (c) the Active Party shall inform the other party of the tentative date of any ceremony related to programs and projects funded under this agreement thirty (30) working days prior to such date and shall ensure the Ministers responsible for the MHRC and CMHC, the Deputy Minister of Housing and the President of CMHC are invited to any ceremonies associated with such programs and projects. Ceremony dates are to be mutually agreed to by both parties within ten (10) working days of receipt by CMHC of notice of the tentative date. In certain instances, the aforesaid time periods may be reduced upon the consent of both parties;

(d) the format and means of distribution of any announcements and/or notifications to sponsor groups and/or the public at large, relating to this Agreement or to programs and projects at the global and/or individual conditional unit or project allocation stages, proposal development funding loan commitment stages, project approval and commitment of subsidy assistance stages, undertaken pursuant hereto, shall be mutually agreed upon and arranged jointly. The Active Party shall provide to the other party, for input and joint approval, drafts of such announcements and/or notifications fifteen (15) working days prior to release to all concerned recipients unless otherwise agreed by both parties;

For the purposes of the above,

i) joint approval will not be required where previously mutually agreed formats of announcements/notifications are used; however, fifteen (15) working days advance notice must be provided by the Active Party to the other party in order to provide all concerned recipients with appropriate notice period unless otherwise agreed by both parties;

ii) joint approval is required in all cases where previously mutually agreed to formats are not used;

(e) any program information including signs, plaques, brochures, pamphlets, or other items of program information and cheques shall fully recognize the contribution of both Canada and Manitoba and shall have the prior approval of both parties with respect to

cheques, this requirement could be met if a letter or notice fully recognizing the contribution of each party accompanies each cheque;

(f) both parties recognize the appropriateness of providing information and publicity material, such as signs, plaques and announcements in both official languages.

Notwithstanding the above, and in order to ensure the anonymity as well as the respect of the clientele involved, CMHC and the MHRC may jointly agree to renounce any publicity.

Any matter of discussion between CMHC and the MHRC, related to public information and publicity initiatives, may be submitted to the Planning and Monitoring Committee.

18. TERMINATION

This Agreement shall automatically terminate in the event of, and on the same date as, termination of the Global Agreement subject to funding commitments and other arrangements made hereunder. Such termination shall not alter or terminate commitments, nor arrangements for the administration of occupied stock, made prior to termination of this Agreement.

19. AMENDMENT

The schedules hereto may be altered or deleted, or new schedules added from time to time by mutual agreement of the parties. Each party shall notify the other by April 1 of any given year of any proposed amendments to the schedules which may be implemented in the following calendar year.

20. PHASING-IN

Each program covered by this Agreement may be phased-in by arrangements mutually agreed upon between the parties hereto.

21. OTHER PROVISIONS

- (a) The Active Party will make or cause to be made available to the other party all documents, books, records and accounts pertaining to the cost of construction, acquisition, development, renovation and delivery and administration of a project relating to all programs covered by the Global Agreement, for the purposes of operational or financial auditing.
- (b) The parties will ensure that all documents, statements of charges, receipts and files pertaining to any project or program are safely kept as long as required by legal prescription, and in no case for less than seven (7) years.
- (c) Where the Active Party becomes aware of any irregularity or potential legal infraction in the delivery or administration of a program, it shall immediately inform the other party. The Active Party shall carry out all investigations and take all steps necessary to resolve the problem or irregularity, provided that should the other party advise the Active Party of its desire to actively participate in such investigations or other actions, it shall be permitted to do so.

- (d) The parties are jointly responsible for all claims resulting from the application of both the Global and the Operating Agreements, provided that the Active Party shall indemnify and save the other party harmless from any claim, action, dispute or any other matter involving third parties arising from negligence on the part of the Active Party in the delivery and administration of programs and projects.
- (e) All construction activities carried out during the implementation of both the Global and Operating Agreements are to be carried out in compliance with the legislation, regulations and building codes and standards governing each respective level of government.
- (f) Wherever available, Canadian materials, products and human resources must be employed during the implementation of both the Global and the Operating Agreements. All ensuing contracts should be entered into in compliance with both the Canadian and Provincial laws relating to human rights.
- (g) This Agreement shall not be assigned or otherwise transferred by either party hereto.
- (h) In the event of conflict between any provision of this Agreement and any provision of the Global Agreement, the latter shall govern.
- (i) Where applicable, the provisions of this Agreement shall apply to those Rural and Native housing projects covered by this Agreement and financed under Section 40 except that, in the event of conflict between any pro-

vision contained in this Agreement and any provision contained in the Section 40 agreement, the latter agreement shall govern.

(j) The Schedules hereto are an integral part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals in execution of these presents.

Signed at this 7 day of July
nineteen hundred and eighty-six in quadruplicate in the English
and French languages, each being equally authentic.

WITNESSED BY:

Christine P. Rump

SIGNED BY:

Canada Mortgage and
Housing Corporation

D. W.
Vice-President - Programs

J. Brown
Senior Vice-President

The Manitoba Housing and
Renewal Corporation

R. T. Kelly

J. D. Pedden

SCHEDULE C

Calendar for Joint Planning Process

<u>Activity</u>	Date
1. The MHRC and CMHC exchange data and information on needs and market conditions by specified geographic area and notify each other of any proposed changes for the upcoming calendar year to the Operating Agreement, including the Schedules. Planning and Monitoring Committee meets to assess needs by program type for each specific geographic area.	April 1
2. The MHRC submits report to CMHC on determination of need.	May 15
3. CMHC advises the MHRC of tentative allocations for upcoming 3-year period.	May 25
4. The Committee meets to review proposed level of annual activity by specific geographic area by client type over the three-year period, and to forecast annual budgetary and non-budgetary requirements over this period.	June 1
5. The MRHC and CMHC each send an advance copy of their respective draft plans to the other for information.	June 15
6. Committee meets to review draft consolidated three-year plan.	July 1
7. Committee submits proposed plan to the MHRC and CMHC for approval.	August 1
8. CMHC confirms the budgetary and non-budgetary allocations for year one of the three-year plan.	January 2

SCHEDULE A - 1

**NON-PROFIT HOUSING PROGRAM
MANITOBA**

Agreement between "Canada Mortgage and Housing Corporation" and "Manitoba Housing and Renewal Corporation".

This Program will be delivered and administered by Manitoba Housing and Renewal Corporation (MHRC).

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

The Non-Profit Housing Program provides subsidized rental housing projects owned and operated by Manitoba, its Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations. The maximum annual subsidy payable to any project, without on-site care or support services, is equal to the difference between eligible annual operating costs and revenues, and is shared on a 75/25 basis by Canada and Manitoba. The maximum annual assistance to special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the amount required to amortize such costs if the interest rate charged were 2 percent per annum, shared on a 75/25 basis by Canada and Manitoba.

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Rents are calculated according to a rent-to-income scale and adjusted household incomes as defined in Appendix "1" of this Schedule. Projects may be financed by Manitoba or privately financed by an uninsured loan or by an NHA insured loan made by an NHA Approved Lender. In all cases loans will be amortized over the lesser of the useful life of the project or 35 years for up to 100% of total lending value.

For private non-profit and cooperative projects, a competitive project selection process will be used by MHRC, to ensure the best targeted and most cost-effective projects are committed. Proposal development funding loans may be made available on a cost-shared basis to eligible private non-profit sponsors and continuing cooperative associations to facilitate their participation in the process.

Enabling Federal Legislation

National Housing Act:

- Insured loans - Part I;
- Subsidy Assistance - Section 56.1;
- Proposal Development Funding - Section 37.1.

Enabling Provincial Legislation

Housing and Renewal Corporation Act:

- Chapter H160 CCSM, as amended by Chapter 44 of the Statutes of Manitoba 1985.

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3. ELIGIBILITY CRITERIA

3.1 Sponsors

Eligible sponsors/owners are the Province, Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations which are eligible contribution recipients defined in the Act. All capital or shares in a Public Non-Profit Housing Corporation will be owned by a public body, including a municipality, province or other level of government. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members. Sponsors/owners will establish 31 December as the financial year-end for each project to be approved under this program.

3.2 Clients

Eligible clients are those households who are in core housing need, as defined in the Global Agreement, with total household income as defined in Appendix "1" which falls below the core need income threshold, and those with a special purpose housing need.

3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings. Any building form which can be produced at costs acceptable to MHRC and CMHC will be eligible for assistance

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under the program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting. At least 5% of the units produced under the program each year, in non-special purpose projects, will be accessible and designed as "mobility" units, as defined in the program guidelines. Demand will be considered in determining the number of "mobility units in any particular project.

Further modifications to these units may be undertaken to meet the needs of particular clients. As outlined in program guidelines, such modifications are eligible for cost-sharing.

3.4 Occupants

MHRC will ensure that all households selected to occupy projects/units receiving cost-shared assistance under the program are households in need. As a first priority, "mobility" units are to be occupied by households in need in which at least one person is physically disabled.

On an exception basis, where a unit becomes vacant and no household in need within the core need income thresholds can be found, a household earning more than the core need threshold may be selected on a worst-first basis. Such action will be subject to review by the Planning and Monitoring Committee and a moratorium will be placed on further new commitments under non-profit and rent supplement programs in the project's market area.

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4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Proposal Development Funding

Interest-free loans of up to \$75 000 per project will be provided by MHRC to support the development of project proposals by private non-profit groups and non-profit continuing cooperative housing groups intending to serve low-income individuals and families and the disabled.

Non-budgetary and budgetary funds associated with these loans will be shared on a 75/25 basis by Canada and Manitoba. The maximum loan to any sponsor will depend on the size and complexity of the proposed project and the work to be done in each successive phase of project development. Activities for which funding may be provided include: incorporation; legal cost; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

Initial proposal development funding loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for conditional allocations. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned unit, up to a cumulative maximum of \$30 000. Further loan increases can be provided to a cumulative maximum of \$75 000 to enable sponsors, who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

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4.2 Eligible Project Capital Costs

A project's total eligible costs pertain only to the units committed under the program and are for the residential portion only, as specified in program guidelines. These costs include, but are not limited to, land acquisition and servicing, construction/rehabilitation/conversion, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined in program guidelines, and must not exceed the lesser of the actual costs or the Maximum Unit Price applicable to the units at the time of commitment.

Interest rates must be competitive and acceptable to CMHC and MHRC parties. Interest rates used where financing is provided by MHRC shall not exceed the lowest rate available from major NHA approved lenders for comparable loans.

4.3 Ineligible Project Capital Costs

Projects may contain residential dwelling units in addition to those committed under the program as well as non-residential space. No costs associated with the development, financing or operation of the additional units or non-residential space will be eligible for cost-shared assistance under the program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

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4.4 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which cannot exceed 15 percent of the cost of the residential portion of the project and 20 percent of its floor area. Where projects or facilities are guaranteed by the province, the 15/20 percent limits just noted may be exceeded upon prior approval by CMHC, on an exceptional basis.

4.5 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost-shared subsidy assistance.

4.6 Insured Loans

When MHRC has entered into a loan insurance agreement with CMHC, approved lender loans for up to 100% of a project lending value can be insured by CMHC under Part I of the Act for no premium. MHRC will ensure that insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

MHRC will ensure that all units in this program are allocated within the geographic areas specified in the

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Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B. Taking into account the planning process, MHRC shall assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

Subject to considerations of need and targeting, MHRC will ensure that a proportion of the annual allocation under this program, to be agreed upon with CMHC, and specified annually in Schedule B of the Operating Agreement, is made available to Private Non-Profit Housing Corporations, including Non-Profit Continuing Cooperative Housing Associations.

The number of subsidy units specified in the approved Three-Year Plan to be targeted to private non-profit sponsors will take into account the allocation to public non-profit projects owned by Manitoba which will be managed in conformance with paragraph 8.1 of this Schedule, by private non-profit organizations.

5.2 Project Selection

MHRC will retain the proportion of the annual allocation for this program, specified in the approved three-year plan, for those public non-profit units they intend to

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develop and own. Other public and private non-profit sponsors will be awarded conditional allocations to support their continuation in the project development process and the achievement of a timely commitment. A conditional allocation is not a commitment and can be withdrawn should it become evident that a proposal will be unable to meet all project eligibility and commitment criteria or the deadline for a final application.

Projects selected for conditional allocations will meet selection criteria acceptable to both parties and will be the most cost-effective available in terms of the annual subsidy requirements for the given unit type mix. Cost-effectiveness will be separately determined for family and senior projects. It is based on the ratio of estimated eligible project costs less related equity contributions, to its Maximum Unit Price. Projects with the lowest ratio will be considered the most cost-effective.

5.3 Project Selection - Public Non-Profits and Special Purposes

MHRC will develop and select the best targeted and most cost-effective public non-profit and special purpose private non-profit projects after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

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5.4 Project Selection - Private Non-Profits and Cooperatives

Projects to be developed by Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations will be selected, wherever demand may exceed the allocation in a market area, on the basis of a competitive process. This process will be described in Schedule B of the Operating Agreement and will allow the comparison of proposals on the basis of criteria and cost-effectiveness measurements acceptable to both parties prior to the awarding of proposal development funding or a conditional allocation. Where demand is less than the allocation in a market area, MHRC will take steps to ensure the development of appropriately targeted and cost-effective projects.

6. COMMITMENT

6.1 Proposal Development Funding

A proposal development funding loan commitment is deemed made each time MHRC approves a proposal development loan or loan increase, to a cumulative maximum of \$75 000 for each eligible project.

The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equals the amount of the loan approved at each stage of project selection.

6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, MHRC

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will ensure that each commitment application meets all the Non-Profit Housing Program criteria and guidelines, without conditions which are beyond the power of the contracting parties to fulfill within the calendar year in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when MHRC approves a notice of commitment guaranteeing the provision of federal assistance under Section 56.1 of the Act and provincial assistance under the legislation referred to in clause 2, page 2, subject to the execution of this agreement for provincially owned projects and a project operating agreement between MHRC and the owner of all other projects.

6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates MHRC and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by the parties, whichever is less.

6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of units committed to be reported as specified in the Operating Agreement.
"Unit" means a unit or bed where a unit is a

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self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

6.2.4 **Loan Insurance:**

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

6.2.5 **Commitment Notification/Publicity:**

All news releases or announcements pertaining to an allocation or commitments to a project will be in accordance with the Operating Agreement and program guidelines.

7. **ADVANCING**

7.1 **Proposal Development Funding Loans**

MHRC will be responsible for approving and making accountable advances on proposal development funding loans, on behalf of both parties. Such advances shall be secured by a promissory note and repayable from the first project loan advance.

7.2 **Insured Loan Advances**

MHRC will be responsible for approving progress advances in accordance with program guidelines which will be made

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only after it has entered into a project operating agreement with each project sponsor. MHRC will provide CMHC reasonable access to all records and documentation pertaining to the authorization of insured loan advances.

7.3 Construction

MHRC will be responsible for inspecting and monitoring all projects during construction to ensure compliance with all applicable codes, standards and program guidelines.

7.4 Final Costs

MHRC will provide CMHC with a certified statement of final capital costs prepared in accordance with program guidelines for all approved projects no later than six months after the Interest Adjustment Date as defined in and on a form specified in program guidelines.

8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All private non-profit, non-profit continuing cooperative and municipal public non-profit sponsors will enter into a project operating agreement, in a form specified in program guidelines, with MHRC before receiving a commitment for subsidy assistance. Without limiting its scope, the project operating agreement will specify:

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Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing units; contributions; other assistance; sale of project/units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

Where MHRC owns a project, all of the above provisions of a project operating agreement shall apply and this Schedule shall be deemed to be the project operating agreement referred to in Section 91.1 of the National Housing Loan Regulations.

8.2 Project Administration

8.2.1 Project Advances:

MHRC will ensure public and private non-profit and continuing cooperative housing sponsors are advanced sufficient funds to cover project operating losses during the course of their fiscal year.

8.2.2 Financial Year-End:

MHRC will ensure that sponsors/owners of each project approved under this program have financial year-ends on 31 December.

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8.2.3 Project Monitoring:

MHRC will monitor and undertake regular on-site inspections and financial reviews to ensure that project sponsors manage their projects prudently and cost-effectively and continue to respect all conditions in their project operating agreements during the period of the insured loan and payment of federal and provincial subsidies.

8.2.4 Modernization and Improvement:

Expenditures for the modernization, improvement and regeneration in excess of \$100 000 per project or \$1 000 per unit in any one year must be part of a comprehensive portfolio management strategy and explicitly identified in Schedule B of the Operating Agreement or be approved by CMHC on a project basis.

8.2.5 Prepayment:

The prepayment of the outstanding loan balance, the sale of a project/unit or a change in a project's charter can only take place with the approval of CMHC and MHRC.

8.2.6 Management Training:

MHRC may provide training and other aids to assist public, private non-profit and continuing co-operative groups sponsors to manage their projects effectively. Such expenditures can be cost shared and will be charged against management/administration within a projects annual operating budget.

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8.2.7 Projects in Difficulty:

In the event that projects get into financial difficulty, MHRC will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

8.3 Income Verification

MHRC ensures that all project sponsors verify, at least annually, the adjusted income of the households occupying units in the project and will take steps to adjust the rent to be charged accordingly and in a manner described in Appendix "1" of this Schedule.

8.4 Portfolio Administration

MHRC will participate with CMHC and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.

9. ELIGIBLE PROGRAM COSTS:

The eligible program costs will be shared 75/25 by Canada and Manitoba.

9.1 Non-Budgetary Expenditures

CMHC will pay 75 percent of the non-budgetary expenditures associated with interest-free proposal

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development funding loans to assist private non-profit and continuing cooperative sponsors to develop project proposals.

9.2 Budgetary Expenditures

9.2.1 Proposal Development Funding:

Eligible budgetary expenditures include the interest costs on proposal development funding loans for the period between when funds are advanced and the loan is repaid out of the first loan advance. If the project does not proceed to commitment, the forgiveness of these loans will also be shared.

9.2.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule.

MHRC may utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of MHRC's scale or the Federal Rent-to-Income scale produces the lowest annual operating losses. Any scale in use must be attached in Appendix "1" and must not result in occupant households remaining in the core housing need.

Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC for cost-sharing:

- Revenues: rents; parking; laundry; other.
- Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/ improvement/regeneration; replacement reserves (for private non-profit and continuing cooperatives only); training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the project if the interest rate charged on such costs were two percent per annum calculated semi-annually and not in advance.

9.2.3 Program Delivery and Administration:

The eligible costs of delivery and administration shall be based on performance standards acceptable to CMHC and MHRC.

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9.2.4 Financing Interest:

Any financing interest payable on budgetary and receipts and disbursements will be calculated at an interest rate acceptable to CMHC and MHRC. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

9.2.5 Publicity:

The cost of program and project publicity measures and materials as agreed upon by MHRC and CMHC are eligible program costs.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in program guidelines.

11. INFORMATION REQUIREMENTS

MHRC will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in program guidelines, are provided to CMHC.

Proposal development funding commitment information will be provided no later than 5 working days after a commitment is made.

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Where a competitive selection process for conditional allocations is being held prior to full project commitment, summary information on each project accepted and rejected will be provided by MHRC to CMHC within 30 days following selection but no later than 30 September of the year in progress.

Commitment data will be provided no later than 5 working days after a commitment is made. Updates to previously communicated commitment data will be transmitted on a similar basis.

Special program or project details permitting the drafting and distribution of news announcements pertaining to program and project allocations and commitments will be described in program guidelines.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration, or receiving subsidies, as at 31 December of that year.

Annual project operating data will support the final audited statement of expenditure and this, along with client information, will be used as the basis for adjustment in federal payments of subsidy assistance, if necessary.

NON-PROFIT HOUSING PROGRAM
MANITOBA

SCHEDULE A - 1

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In Witness Whereof, the parties hereto have set their hands
and seals in execution of these presents.

Signed at _____ this 7 day of July
nineteen hundred and eighty-six in quadruplicate.

Witnessed by:

Canada Mortgage and
Housing Corporation

Christine S. Rump

OB
Vice-President - Programs

M. Brown
Senior Vice-President

THE Manitoba Housing and
Renewal Corporation

I. A. Clark
H. G. Pedersen

PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

FEDERAL RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, MHRC will assess the annual "adjusted income" of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- Exclude from income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years or age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to MHRC.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE

MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment (for Competitive Situations ONLY):

- this data is provided following the completion of conditional unit allocations;
- the following generic data elements are provided for each project accepted or rejected in the project selection process:
 - sponsor's name and address;
 - proposed project's description:
 - location codes,
 - client type,
 - number of units by unit and building form,
 - new and existing,
 - maximum unit price;
 - proposed project costs:
 - total estimated costs,
 - cost (less equity) to MUP ratio,
 - equity contribution;
 - reasons for refusal of proposal (in narrative form).

Commitment Data:

- this data will be submitted by way of Notice of Commitment forms;
- the Notice of Commitment forms contain the following generic data elements:
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF):
 - amount approved,
 - amount previously approved,
 - account identification information;
 - project description:
 - description of building,
 - number of eligible and ineligible units by unit and building type,
 - use of floor area,
 - maximum unit price;
 - financial data pertaining to eligible and ineligible portions:
 - project financing, amount, terms, rates,
 - equity,
 - grants;
 - project eligible and ineligible capital costs:
 - land,
 - improvements (acquisition, construction, renovation, soft costs),
 - appraisal estimate;
 - project eligible and ineligible operating data:
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;

Commitment Data: (Cont'd)

- project procurement and acquisition technique;
- account identification information.
- . this information, or part of it will be updated through a project's life cycle (eg. at commitment of PDF and Section 56.1 assistance, at establishment of IAD, at final audited capital costs).

Client Data:

- . this data is provided once a year and pertains to those eligible clients receiving assistance that year;
- . the data provided will pertain to:
 - household composition,
 - household income and its source,
 - Native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - condition and affordability of household's previous dwelling (only for clients newly served during the year; may be obtained through sampling of client records.)

Project Operating Data:

- . this data is provided once a year and contains the following generic data elements segregated for eligible and ineligible costs and revenues as applicable:
 - amortization (principal and interest),
 - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
 - project revenues (such as rents, parking and laundry),
 - management expenses,
 - modernization and improvements.

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Non-Profit Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Non-profit - Private - Regular
Non-profit - Private - Special Purpose
Non-profit - Co-ops
Non-profit - Public - Regular
Non-profit - Public - Special Purpose
Proposal Development Funding

Non-profit - Public - Regular includes projects owned by MHRC but administered by a private group.

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three year plans will be established by activity for the following areas:

1. Commitments - Units
2. Commitments - Non-budgetary
3. Budgetary Expenditures
4. Cash Flow Forecast - Budgetary
 - Non-budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (split between new construction and existing construction, average unit capital cost, total capital costs of the units that will be amortized, projected

A. BUDGET PREPARATION (Cont'd)

interest rates, average length of the subsidy, amortization terms, average annual operating costs and proposed dates of subsidy commencement ("phase-in rates")) will be required to support the calculations of budgetary expenditures.

2. Commitments - Non-budgetary

Commitments for Proposal Development Funding will be expressed in terms of non-budgetary dollars required. The projected average loan amount and the number of units/projects assisted by Proposal Development Funding will also be provided. Commitments required in accordance with the Loan Insurance Agreement to finance the acquisition of a project in default will be expressed in terms of non-budgetary dollars required.

3. Budgetary Expenditures

For Non-profit, budgetary expenditures will be displayed on a portfolio basis by program by the following types of expenditure: operating costs, revenues, amortization, modernization and improvement, delivery and administration costs, and financing interest.

For Proposal Development Funding, the amount of loan forgiveness and the interest rate losses arising from the provision of interest-free loans will be provided.

Funds required to administer projects acquired in accordance with the Loan Insurance Agreement will be reported separately.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for Proposal Development Funding will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments will be submitted to CMHC by MHRC within five (5) working days after making the commitment on a mutually acceptable notice of commitment form. CMHC shall acknowledge receipt of notice of commitment forms.

Commitments for assistance under the Non-Profit Program will be reported in units; commitments for Proposal Development Funding will be reported in capital (non-budgetary) dollars.

D. CLAIMS

Claims for settlement between the parties will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by MHRC, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Non-Profit Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, and the number of units receiving subsidies during the month.

2. Continuity Schedule: Proposal Development Funding Loans

This report is required to monitor the number and amount of loans that have been committed, advances on those loans, outstanding commitments, loans forgiven and loan repayments.

3. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net operating subsidies, delivery and administration costs, financing interest and Proposal Development Funding. Sufficient data will be provided to support the delivery and administration costs claimed in accordance with predetermined standards. It is not necessary to provide detailed object of expenditure information in support of the claimed amounts.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by MHRC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from MHRC for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information for the calendar year at a level similar to that provided on the monthly claims.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit and may be based on reasonable estimates.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include detailed listings of projects committed and not yet receiving assistance and proposal development funding not fully advanced.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of MHRC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by MHRC by 30 April. This information will be certified by a senior financial officer of MHRC.

SCHEDULE A - 2

**URBAN NATIVE NON-PROFIT HOUSING PROGRAM
MANITOBA**

This Program will be delivered and administered by Manitoba Housing and Renewal Corporation (MHRC).

1. OBJECTIVE

To assist Native households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

The Urban Native Non-Profit Housing Program provides subsidized rental housing projects owned and operated by Native sponsored Private Non-Profit Housing Corporations and Native Non-Profit Continuing Cooperative Housing Associations. The maximum annual subsidy payable to any project, without on-site care or support services, is equal to the difference between annual operating costs and project revenues, and is shared on a 75/25 basis by Canada and Manitoba. The maximum annual assistance to Native sponsored special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the amount required to amortize such costs if the interest rate charged were 2 percent per annum, shared on a 75/25 basis by Canada and Manitoba.

Rents are calculated according to the federal rent-to-income scale and adjusted household incomes as defined in Appendix "1" of this Schedule. Projects may be financed

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by Manitoba or privately financed by an uninsured loan or by an NHA insured loan made by an NHA approved lender. In all cases loans will be amortized over the lesser of the useful life of the project or 35 years for up to 100% of total lending value.

For Urban Native non-profit and cooperative projects, a non-competitive project selection process will be used by MHRC. Proposal development funding loans may be made available on a cost-shared basis to eligible Urban Native non-profit sponsors and continuing cooperative associations to assist in the development of their projects.

Enabling Federal Legislation:

National Housing Act:

- Insured loans - Part I;
- Subsidy Assistance - Section 56.1;
- Proposal Development Funding - Section 37.1;
- RNH Training Funds Program - Paragraph 37(1)(e).

Enabling Provincial Legislation:

Housing and Renewal Corporation Act:

- Chapter H160 CCSM, as amended by Chapter 44 of the Statutes of Manitoba 1985.

3. ELIGIBILITY CRITERIA

3.1 Sponsors

Eligible sponsors/owners are Urban Native Private Non-Profit Housing Corporations and Continuing Non-Profit Housing Cooperative Associations which are eligible

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contribution recipients defined in the Act. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members. Sponsors/owners will establish 31 December as the financial year-end for each project to be approved under this program.

3.2 Clients

Eligible clients are Native households in core housing need, as defined in the Global Agreement, with total household income as defined in Appendix "1" which falls below the core need income threshold, and those with special purpose housing need.

3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings. Any building form which can be produced at costs within the program guidelines as agreed to by MHRC and CMHC will be eligible for assistance under the program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting. At least 5% of the new construction units produced under the program each year, in non-special purpose projects, will be accessible and designed as "mobility" units, as defined in the program guidelines. Demand will be considered in determining the number of "mobility" units in any particular project.

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Further modifications to these units may be undertaken to meet the needs of particular clients. As outlined in program guidelines, such modifications are eligible for cost-sharing.

3.4 Occupants

MHRC will ensure that all Native households selected to occupy projects/units are Native households in need. As a first priority, "mobility" units are to be occupied by Native households in need in which at least one person is physically disabled.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Proposal Development Funding

Interest-free loans of up to \$75 000 per project will be provided by MHRC to support the development of project proposals by Urban Native non-profit groups or non-profit continuing cooperative housing groups intending to serve low-income individuals and families and the disabled.

Non-budgetary and budgetary funds associated with these loans will be shared on a 75/25 basis by Canada and Manitoba. The maximum loan to any sponsor will depend on the size and complexity of the proposed project and the work to be done in each successive phase of project development. Activities for which funding may be provided include: incorporation; legal cost; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

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Initial project development funding loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for project commitment. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned unit, up to a cumulative maximum of \$30 000. Further loan increases can be provided to a cumulative maximum of \$75 000 to enable sponsors, who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

4.2 RNH Training Funds

RNH Training Funds will be provided to enable Urban Native Non-Profit sponsors to meet their program responsibilities. The RNH Training Funds Programs, including activities related to secondment, cadre and client training, are described in Urban Native Non-Profit Program Guidelines. Funding is shared by both parties.

4.3 Eligible Project Capital Costs

A project's total eligible costs pertain only to the units committed under the program and are for the residential portion only, as specified in program guidelines. These costs include, but are not limited to, land acquisition and servicing, construction/rehabilitation/conversion, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined in program guidelines, and must not exceed the lesser of the actual eligible costs or the Maximum Unit Price applicable to the units at the time of commitment.

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Interest rates must be competitive and acceptable to CMHC and MHRC. Interest rates used where financing is provided by MHRC shall not exceed the lowest rate available from major NHA approved lenders for comparable loans.

4.4 Ineligible Project Capital Costs

Projects may contain residential dwelling units in addition to those committed under the program as well as non-residential space. No costs associated with the development, financing or operation of the additional units or non-residential space will be eligible for cost-shared assistance under the program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

4.5 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which cannot exceed 15 percent of the cost of the residential portion of the project and 20 percent of its floor area.

4.6 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost shared subsidy assistance.

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4.7 Insured Loans

When MHRC has entered into a loan insurance agreement with CMHC, approved lender loans for up to 100% of a project's lending value can be insured by CMHC under Part I of the Act for no premium. MHRC will ensure that insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

MHRC will ensure that all units in this program are allocated within the geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B. Taking into account the planning process, MHRC shall assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

5.2 Project Selection

Projects selected for conditional allocations will meet selection criteria acceptable to CMHC and MHRC and will be the most cost-effective available in terms of the annual subsidy requirements for the given unit type

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mix. Cost-effectiveness will be separately determined for family and senior projects. It is based on the ratio of estimated eligible project costs less related equity contributions, to its Maximum Unit Price. Projects with the lowest ratio will be considered the most cost-effective.

5.3 Project Selection - Special Purpose

MHRC will develop and select the best targeted and most cost-effective special purpose Urban Native private non-profit projects after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

5.4 Project Selection - Urban Native Non-Profits and Cooperatives

Urban Native non-profit sponsors or continuing cooperative non-profit housing associations will be awarded conditional allocations to support their continuation in the project development process and the achievement of a timely commitment. A conditional allocation is not a commitment and can be withdrawn should it become evident that a proposal will be unable to meet all project eligibility and commitment criteria or the deadline for a final application.

MHRC will ensure the best targeted and most cost-effective projects possible are developed primarily through existing sponsors expanding their portfolio

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each year. Conditional unit allocations will be provided to existing and new sponsors who demonstrate a capability to deliver and manage a project and intend to serve households in need. Where there is more than one Urban Native housing group serving a specific geographic area, units should be allocated to each group recognizing portfolio size and economies of scale in management.

6. COMMITMENT

6.1 Proposal Development Funding

A proposal development funding loan commitment is deemed made each time MHRC approves a proposal development loan or loan increase, to a total cumulative maximum of \$75 000 for each eligible project.

The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equals the amount of the loan approved at each stage of project selection.

6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, MHRC will ensure that each commitment application meets all Urban Native Non-Profit Housing Program criteria and guidelines without conditions which are beyond the power of the contracting parties to fulfill within the calendar year in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

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6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when MHRC approves a notice of commitment guaranteeing the provision of federal assistance under Section 56.1 of the Act and provincial assistance under the Housing and Renewal Corporation Act, Chapter H160 CCSM, as amended by Chapter 44 of the Statutes of Manitoba 1985, subject to the execution of a project operating agreement between MHRC and the owner of the project.

6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates MHRC and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by the parties, whichever is less.

6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of units committed to be reported on a monthly basis as specified in the Operating Agreement. "Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

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6.2.4 Loan Insurance:

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

6.2.5 Commitment Notification/Publicity:

All news releases or announcements pertaining to an allocation or commitments to a project will be in accordance with the Operating Agreement and program guidelines.

6.3 RNH Training Funds:

A commitment on RNH Training Funds is deemed made when MHRC approves funds for RNH Training to eligible Urban Native Non-Profit sponsors as outlined in Urban Native Non-Profit Program Guidelines.

The reporting of RNH Training Funds shall be the dollar value of funds approved.

7. ADVANCING

7.1 Proposal Development Funding Loans

MHRC will be responsible for approving and making accountable advances on proposal development funding loans, on behalf of CMHC and MHRC. Such advances shall be secured by a promissory note and repayable from the first project loan advance.

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7.2 Insured Loan Advances

MHRC will be responsible for approving progress advances in accordance with program guidelines which will be made only after it has entered into a project operating agreement with each project sponsor. MHRC will provide CMHC reasonable access to all records and documentation pertaining to the authorization of insured loan advances.

7.3 Construction

MHRC will be responsible for inspecting and monitoring all projects during construction to ensure compliance with all applicable codes, standards and program guidelines.

7.4 Final Costs

MHRC will provide CMHC with a certified statement of final capital costs prepared in accordance with program guidelines for all approved projects no later than six months after the Interest Adjustment Date as defined in and on a form specified in program guidelines.

8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All sponsors will enter into a project operating agreement, in a form specified in program guidelines, with MHRC before receiving a commitment for subsidy assistance. Without limiting its scope, the project operating agreement will specify:

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Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing units; contributions; other assistance; sale of project/units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

8.2 Project Administration

8.2.1 Project Advances:

MHRC will ensure that Urban Native Private Non-Profit and Continuing Cooperative Housing Sponsors are advanced sufficient funds to cover project operating losses during the course of their fiscal year.

8.2.2 Financial Year-End

MHRC will ensure that sponsors/owners of each project approved under this program have financial year-ends on 31 December.

8.2.3 Project Monitoring:

MHRC will monitor and undertake regular on-site inspections and financial reviews to ensure that project sponsors manage their projects prudently and cost-effectively and continue to respect all conditions in their project operating agreements during the period of the insured loan and payment of federal and provincial subsidies.

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8.2.4 Modernization and Improvement:

Expenditures for the modernization, improvement and regeneration in excess of \$100 000 per project and \$1 000 per unit in any one year must be part of a comprehensive portfolio management strategy and explicitly identified in Schedule B of the Operating Agreement or be approved by CMHC on an individual basis.

8.2.5 Prepayment:

The prepayment of the outstanding loan balance, the sale of a project/unit or a change in a project's charter can only take place with the approval of CMHC and MHRC.

8.2.6 Management Training:

MHRC may provide training and other aids to assist Urban Native non-profit sponsors and continuing cooperative groups to manage their projects effectively. Such expenditures can be cost-shared and may be charged against management/administration within a projects annual operating budget, or against RNH Client Training Funds as outlined in program guidelines.

8.2.7 Projects in Difficulty:

In the event that projects get into financial difficulty, MHRC will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

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8.3 Income Verification

MHRC will ensure that all project sponsors verify, at least annually, the adjusted income of the households occupying units in the project and will take steps to ensure that the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

8.4 Portfolio Administration

MHRC will participate with the other party and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.

9. ELIGIBLE PROGRAM COSTS:

The eligible program costs will be shared 75/25 by Canada and Manitoba.

9.1 Non-Budgetary Expenditures

CMHC will pay 75 percent of the non-budgetary expenditures associated with interest-free proposal development funding loans to assist private non-profit and continuing cooperative sponsors to develop project proposals.

9.2 Budgetary Expenditures

9.2.1 Proposal Development Funding:

Eligible budgetary expenditures include the interest costs on proposal development funding loans for the period between when funds are advanced and the loan is

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repaid out of the first loan advance. If the project does not proceed to commitment, the forgiveness of these loans will also be shared.

9.2.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the Federal rent-to-income scale as specified in Appendix "1" of this Schedule. Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC for cost-sharing:

- Revenues: rents; parking; laundry; other.
- Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/ improvement/regeneration; replacement reserves; training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the project if the interest rate charged on such costs were two per cent per annum calculated semi-annually and not in advance.

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9.2.3 Program Delivery and Administration:

The eligible cost of delivery and administration shall be based on performance standards acceptable to CMHC and MHRC.

9.2.4 Financing Interest:

Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to CMHC and MHRC. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

9.2.5 Publicity:

The cost of program and project publicity measures and materials as agreed upon by MHRC and CMHC are eligible program costs.

9.2.6 RNH Training Funds:

RNH Training Funds provided for approved training purposes to facilitate Urban Native Non-Profit sponsors in the development and/or administration of the Urban Native Non-Profit projects.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in program guidelines.

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11. INFORMATION REQUIREMENTS

MHRC will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in program guidelines, are provided to CMHC.

Proposal development funding commitment information will be provided no later than five (5) working days after a commitment is made.

Where conditional allocations are made prior to full project commitment, summary information on each project accepted and rejected will be provided by MHRC to CMHC within 30 days following selection but no later than 30 October of the year in progress.

Commitment data will be provided no later than five (5) working days after a commitment is made. Updates to previously communicated commitment data will be transmitted on a similar basis.

Special program or project details permitting the drafting and distribution of news announcements pertaining to program and project allocations and commitments will be described in program guidelines.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on

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clients served in all units under administration, or receiving subsidies, as at 31 December of that year.

Annual project operating data will support the final audited statements of expenditure and this, along with client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

FEDERAL RENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, MHRC will assess the annual "adjusted income" of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- Exclude from income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years or age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to MHRC.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE

MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment

- this data is provided following the completion of conditional unit allocations;
- the following generic data elements are provided for each project accepted or rejected in the project selection process:
 - sponsor's name and address;
 - proposed project's description:
 - location codes,
 - client type,
 - number of units by unit and building form,
 - new and existing;
 - proposed project costs:
 - total estimated costs,
 - cost (less equity) to MUP ratio,
 - equity contribution;
 - reasons for refusal of proposal (in narrative form).

Commitment Data:

- this data is submitted by way of a Notice of Commitment form;
- the Notice of Commitment forms contain the following generic data elements:
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF):
 - amount approved,
 - amount previously approved,
 - account identification information;
 - project description:
 - description of building,
 - number of eligible and ineligible units by unit and building type,
 - use of floor area;
 - financial data pertaining to eligible and ineligible portions:
 - project financing, amount, terms, rates,
 - equity,
 - grants;
 - project eligible and ineligible capital costs:
 - land,
 - improvements (acquisition, construction, renovation, soft costs),
 - appraisal estimate;
 - project eligible and ineligible operating data:
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;

Commitment Data: (Cont'd)

- project procurement and acquisition technique;
- account identification information.
- this information, or part of it will be updated through a project's life cycle (eg. at commitment of PDF and Section 56.1 assistance, at establishment of IAD, at final audited capital costs).
- RNH Training Funds:
 - funds approved, training program, number of training events and contracts, names of recipient organizations and/or persons.

Client Data:

- this data is provided once a year and pertains to those eligible clients receiving assistance that year;
- the data provided will pertain to:
 - household composition,
 - household income and its source,
 - Native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - condition and affordability of household's previous dwelling (only for clients newly served during the year; may be obtained through sampling of client records).

Project Operating Data:

- this data is provided once a year and contains the following generic data elements segregated for eligible and ineligible costs and revenues as applicable:
 - amortization (principal and interest),
 - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
 - project revenues (such as rents, parking and laundry),
 - management expenses,
 - modernization and improvements.

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Urban Native Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Urban Native - Regular
Urban Native - Special Purpose
Proposal Development Funding
RNH Training Funds

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three-year plans will be established by activity for the following areas:

- 1. Commitments - Units
- 2. Commitments - Budgetary
 - Non-budgetary
- 3. Budgetary Expenditures
- 4. Cash Flow Forecast - Budgetary
 - Non-budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (split between new construction and existing construction, average unit capital cost, total capital costs of the units that will be amortized, projected interest rates, average length of the subsidy, amortization terms, average annual operating costs and proposed dates of subsidy commencement ("phase-in rates")) will be required to support the calculations of budgetary expenditures.

A. BUDGET PREPARATION (Cont'd)

2. Commitments - Budgetary

Commitments for RNH Training Funds will be expressed in terms of budgetary dollars required.

- Non-budgetary

Commitments for Proposal Development Funding will be expressed in terms of non-budgetary dollars required. The projected average loan amount and the number of units/projects assisted by Proposal Development Funding will also be provided. Commitments required in accordance with the Loan Insurance Agreement to finance the acquisition of a project in default will be expressed in terms of non-budgetary dollars required.

3. Budgetary Expenditures

For Urban Native, budgetary expenditures will be displayed on a portfolio basis by program by the following types of expenditure: operating costs, revenues, amortization, modernization and improvement, delivery and administration costs, and financing interest.

For Proposal Development Funding, the amount of loan forgiveness and the interest rate losses arising from the provision of interest-free loans will be provided.

For RNH Training Funds, the amounts to be disbursed will be provided.

Funds required to administer projects acquired in accordance with the Loan Insurance Agreement will be reported separately.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures for Proposal Development Funding will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments for assistance under the Urban Native Program will be reported in units; commitments for Proposal Development Funding will be reported in capital (non-budgetary) dollars; and commitments for RNH Training Funds will be reported in budgetary dollars.

Commitments will be submitted to CMHC by MHRC within five (5) working days after making the commitment on a mutually acceptable notice of commitment form.

CMHC will acknowledge receipt of commitment.

D. CLAIMS

Claims for settlement between MHRC and CMHC will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by MHRC, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Urban Native Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, and the number of units receiving subsidies during the month.

2.1 Continuity Schedule: Proposal Development Funding Loans

This report is required to monitor the number and amount of loans that have been committed, advances on those loans, outstanding commitments, loans forgiven and loan repayments.

2.2 Continuity Schedule: RNH Training Funds

This report is required to monitor the RNH Training Funds that have been committed, disbursements on those commitments, and outstanding commitments.

3. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net operating subsidies, delivery and administration costs financing interest and Proposal Development Funding. Sufficient data will be provided to support the delivery and administration costs claimed in accordance with predetermined standards. It is not necessary to provide detailed object of expenditure information in support of claimed amounts.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by MHRC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from MHRC for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information for the calendar year at a level similar to that provided on the monthly claims.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit and may be based on reasonable estimates.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include detailed listings of projects committed and not yet receiving assistance and proposal development funding not fully advanced.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of MHRC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by MHRC by 30 April. This information will be certified by a senior financial officer of MHRC.

SCHEDULE A - 3

RENT SUPPLEMENT PROGRAM
MANITOBA

Agreement between "Canada Mortgage and Housing Corporation" and "Manitoba Housing and Renewal Corporation".

This Program will be delivered and administered by Manitoba Housing and Renewal Corporation (MHRC).

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing by subsidizing rents in eligible rental dwellings.

2. PROGRAM DESCRIPTION

The Rent Supplement Program provides assistance to households in need by reducing the rent paid to a specified proportion of their income. The assistance is based on the difference between an agreed upon market rent and the rent charged according to a rent-to-income scale and based on the household's adjusted income, as defined in Appendix "1" to this Schedule. To make this assistance available, MHRC and a landlord or housing cooperative sign an agreement, designating a number of housing units to be subsidized. The assistance provided for each unit will be cost-shared 75/25 by Canada and Manitoba and will be available for a maximum term of 35 years. MHRC, its agencies or housing cooperatives select households in need to be occupants of the unit.

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For the purpose of this Schedule, MHRC shall be considered as the eligible contribution recipient under Section 56.1 of the Act and this Schedule shall be deemed to be the agreement referred to in Section 91(1) of the National Housing Loan Regulations.

Enabling Federal Legislation

National Housing Act:

- Section 56.1

Enabling Provincial Legislation

Housing and Renewal Corporation Act

3. ELIGIBILITY CRITERIA

3.1 Owners

Agreements can be made between MHRC and landlords, sponsors of Manitoba Senior Citizen Non-Profit Housing Program projects or housing cooperatives. Housing units receiving other ongoing federal or provincial social housing assistance are not eligible unless such assistance is provided under Sections 15, 15.1 or 34.18 of the Act, subject to the provisions set out in subsection 8.2, or funding under Section 34.1 for the Residential Rehabilitation Assistance Program for the Disabled.

3.2 Clients

Eligible clients are those households in core housing need, as defined in the Global Agreement, with total household income as defined in Appendix "1" which falls below the core need income threshold, and those with special purpose housing need.

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3.3 Projects

MHRC will ensure that all units selected comply with mutually acceptable minimum property standards.

3.4 Occupant Selection

MHRC or its agencies will ensure that all households selected to live in housing units assisted under this program will be households in need. Where Rent Supplement units are provided to housing cooperatives, funded through the Federal Cooperative Housing Program, 50 percent of the occupants will be selected from public housing waiting lists and the remaining 50 percent by housing cooperatives.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Unit Maintenance Costs

Eligible unit maintenance costs are costs incurred to repair abnormal damages caused by clients of the program or decoration expenses needed above those required of landlords or housing cooperatives as specified in subsection 7.4 of this Schedule.

4.2 Assistance/Eligible Costs

The assistance is based on the monies required to pay the difference between the rent paid by the Rent Supplement client and a market rent which would be reasonable, given the characteristics of the unit and market conditions, and which will have been agreed to by MHRC in its agreement with the owner of the unit. In the case of rent

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supplement units in projects funded under the Manitoba Senior Citizen Non-Profit Housing Program, cost-shared assistance will be the difference between their rent-geared-to-income revenue and the lesser of economic or market rent.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

With the exception of Rent Supplement units for the Federal Cooperative Housing Program, MHRC will ensure that all units in this program are allocated within the geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B of the Operating Agreement. Rent Supplement units for the Federal Cooperative Housing Program will be made available to cooperative projects committed by CMHC, as set out in the approved three-year plan.

Taking into account the planning process, MHRC will assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels will not exceed their proportionate share of need.

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5.2 Project Selection

MHRC will ensure that units providing the best value for money are selected. Where possible, a public tendering process should be used in the selection of projects and units. In selecting units, MHRC will inspect the units to be designated for receipt of Rent Supplement assistance to ensure that they comply with housing standards acceptable to MHRC and CMHC.

MHRC may permit clients to select their own unit providing that the rent required for that unit does not exceed a level established by both parties, that the unit meets all program criteria, and that it is made clear to the client that the Rent Supplement assistance remains with the unit and does not follow the client should that client decide to move to other premises.

In allocating its units, MHRC will also ensure that 30 percent of the units available through the Federal Cooperative Housing Program are provided Rent Supplements, as set out in Schedule B of the Operating Agreement.

6. COMMITMENT/AGREEMENTS

6.1 Commitment

A commitment is a written undertaking to subsidize a specifically identified number of units and to incur budgetary expenditures related thereto.

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A commitment is deemed to have occurred once an agreement is signed between MHRC and a landlord or housing cooperative, for a specified number of housing units which will be subsidized.

Upon MHRC signing the initial agreement, Canada and Manitoba commit to each other to provide assistance to that unit, subject to the reallocation provisions of 7.6, for a period of 35 years.

The reporting of the authorized budget take-up will be the number of units committed. "Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

Commitment documentation is to be communicated by MHRC to CMHC by way of a notice of commitment form provided in program guidelines.

6.2 Commitment Notification/Publicity

All news releases or announcements pertaining to an allocation or commitment to a project will be in accordance with the Operating Agreement and the program guidelines.

6.3 Agreement with Owners

MHRC will ensure that the terms and conditions of the agreement with landlords, Manitoba Senior Citizen Non-Profit Housing Program sponsors or eligible housing

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cooperatives will be as approved by MHRC and CMHC, and without limiting their scope, will contain references to: occupant selection; term of leases; security deposits; lease renewals; unit vacancies; unit maintenance; timing of payments to the owner; and renewal of the agreement.

7. PROJECT/PORTFOLIO ADMINISTRATION

7.1 Income Verification

MHRC will ensure that the adjusted income of the household occupying the Rent Supplement unit is verified at least annually and will take steps to ensure the rent to be charged is adjusted accordingly and in a manner described in Appendix "1" of this Schedule.

7.2 Rent Review

Rents charged by landlords or housing cooperatives will be reviewed and agreed to yearly by MHRC. In situations where MHRC has agreed to rent adjustments based on escalation clauses, the conditions associated with making such adjustments will be reviewed.

7.3 Duration of Leases

MHRC will ensure that all leases between the landlord or housing cooperative and the tenant will be for a term of one year or more. Where MHRC agrees to leases of less than one year, it will be for exceptional reasons or for purposes of incurring subsequent lease renewals at a specific date common to all MHRC's rent supplement portfolio.

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7.4 Maintenance of Units

MHRC will ensure that landlords or housing cooperatives participating in this program maintain the units in a state of good repair. This will be achieved by way of on-site inspections carried-out with a frequency agreed to by MHRC and CMHC.

7.5 Repair of Units/Redecoration

MHRC will agree to incur expenses to repair abnormal damages done by the occupants of Rent Supplement units. MHRC will also agree to incur expenses to redecorate the units if required prior to the cyclical maintenance of units by the landlord or housing cooperative, as described in subsection 7.4 of this Schedule.

7.6 Unit Reallocation

A Rent Supplement commitment is for a term of 35 years. Within this 35-year period, a unit designation may be transferred to another unit or project of comparable cost upon expiry of the agreement with the landlord or housing cooperative, or may be renewed for the same unit.

During the period of agreement with the landlord or housing cooperative, if a household becomes ineligible or vacates a unit, MHRC may, with the consent of the landlord or cooperative, revoke the unit designation and transfer it to another housing unit or project of comparable cost for the remaining term of the 35-year commitment.

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A maximum of nine months may occur between the revocation of a unit designation or the expiration of the landlord, Manitoba Senior Citizen Non-Profit Housing Program sponsor or co-op agreement and its redesignation to another project or unit. After such nine months, the remaining portion of the 35-year commitment will be withdrawn. No subsidies will be paid between the revocation and redesignation dates.

Where a unit is transferred to another housing project, it is understood that such unit will be chosen as part of the selection process as identified in subsection 5.2 of this Schedule. Following this unit transfer, MHRC will notify CMHC of the redesignation of the unit on a notice of commitment form specified in program guidelines. CMHC will be notified in the same manner of unit revocations.

8. ELIGIBLE PROGRAM COSTS

Eligible program costs will be shared by Canada and Manitoba on a 75/25 basis. These costs consist of:

8.1 Budgetary Costs

Budgetary costs include:

- the funds required to pay the difference between the agreed market rent and rents collected from the clients, based on adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule. MHRC may utilize a rental scale of its own, but operating losses eligible for assistance from

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Canada will be determined on the basis of whichever of MHRC's scale or Federal Rent-to-Income scale produces the lowest operating losses. Any scale in use must be attached in Appendix "1" and must not result in occupant households remaining in core housing need;

- . the unit repair/redecoration costs as defined in subsection 7.5 of this Schedule;
- . all eligible annual costs of delivery and administration based on performance standards acceptable to CMHC, including fees incurred in delivery.
- . Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to CMHC and MHRC representative of the actual interest costs incurred by MHRC. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

8.2 Exception

Rent Supplement assistance may be made available to clients in non-profit and cooperative projects committed prior to 1979 under Sections 15, 15.1 and 34.18 NHA, provided that Manitoba has matched the financial assistance provided by Canada through these sections of the Act and as specified in program guidelines.

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9. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule, and detailed in program guidelines.

10. INFORMATION REQUIREMENTS

MHRC will ensure that all information requirements outlined in Appendix "2" to this Schedule, and specified in program guidelines are provided to CMHC.

Commitment data will be provided no later than 5 working days after a commitment is made. Updates to previously communicated commitment data will be transmitted on a similar basis.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration, or receiving subsidies, as at 31 December of that year.

Annual project operating data will support the audited statement of expenditure and this, along with client information, will be used as the basis for adjustment in federal payments of subsidy assistance, if necessary.

RENT SUPPLEMENT PROGRAM
MANITOBA

SCHEDULE A - 3

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In Witness Whereof, the parties hereto have set their hands
and seals in execution of these presents.

Signed at _____ this 7 day of July
nineteen hundred and eighty-six in quadruplicate.

WITNESSED BY:

SIGNED BY:

Christine J. Lamp

Canada Mortgage and
Housing Corporation

Wilma
Vice-President - Programs

John
Senior Vice-President

THE Manitoba Housing and
Renewal Corporation

John

J. D. Redden

PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

FEDERAL PAYMENT-TO-INCOME SCALE

DEFINITION OF INCOME FOR DETERMINING BENEFITS

For purposes of establishing the rent to be paid, MHRC will assess the annual "adjusted income" of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- Exclude from income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years or age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to MHRC.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE
MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

INFORMATION REQUIREMENTS: SUMMARY

Commitment Data:

- this data is submitted by way of Notice of Commitment forms;
- the Notice of Commitment forms shall contain the following generic data elements:
 - project location, codes and address;
 - proprietor details, type, name and address;
 - date of agreement and subsidy commencement dates;
 - unit description;
 - agreed rent and its components;
 - details pertaining to unit transfers;
 - delivery agent type;
 - account identification information;
 - matching contributions (Sections 15, 15.1, 34.18).

Client Data:

- this data is provided once a year and pertains to clients receiving assistance in that year;
- the data provided will pertain to:
 - type of owner (non-profit corporation, housing coop (with or without ILM), private landlord),
 - household composition,
 - household income and its source,
 - Native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - previous dwelling conditions (only for households newly served during the year; may be obtained through sampling of client records).

Operating Data:

- this data is provided once a year and contains the following generic data elements:
 - agreed market rents,
 - rents paid by clients,
 - repairs paid on clients' behalf,
 - subsidies paid,
 - arrears;
 - matching contributions (Sections 15, 15.1, 34.18).

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Rent Supplement Program, all budgeting, claims and reporting will be segregated into the following activities unless otherwise indicated:

Rent Supplement - Private Landlords
Rent Supplement - Stacked (15, 15.1, 34.18)
Rent Supplement - Co-ops

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three-year plans will be established by activity for the following areas:

- 1. Commitments - Units
- 2. Budgetary Expenditures
- 3. Cash Flow Forecast - Budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary expenditures.

Data on characteristics of the proposed units (agreed market rents, average RGI rent and proposed subsidy commencement dates) will be required to support the calculations of budgetary expenditures.

2. Budgetary Expenditures

For Rent Supplement, budgetary expenditures will be displayed by type of expenditure (agreed market rent, RGI rent, repair/redecorations costs, delivery and administration costs, and financing interest) in accordance with program guidelines.

A. BUDGET PREPARATION (Cont'd)

3. Cash Flow Forecast - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments will be submitted to CMHC by MHRC within five (5) working days after making the commitment on a mutually acceptable notice of commitment form. CMHC shall acknowledge receipt of commitment forms.

Commitments for assistance under the Rent Supplement program will be reported in units. Unit redesignation upon unit transfer is not included in this summary report.

D. CLAIMS

Claims for settlement between the parties will be submitted on a monthly basis within thirty days of the end of the month to which the transactions relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary expenditures; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed and units under subsidy.

The entire financial activity of the program shall be reported by MHRC, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Rent Supplement Program will include:

1. Continuity Schedule: Units Committed/Under Subsidy

This schedule is required to monitor the number of units that have been committed in the program, those that are receiving subsidies, and those that are committed but not yet receiving assistance ("outstanding commitments").

Information provided includes the number of units committed, cancelled, or placed under subsidy during the month, the number of units receiving subsidies during the month, the number of units revoked and redesignated, and the number of units withdrawn.

2. Expenditures

A report of actual expenditures made or an estimate of expenditures incurred during the month is required to monitor the financial impacts of the program and to inform CMHC of its share of the expenditures.

The expenditures will be displayed by program activity and the following expenditure categories: net subsidy (including repair/redecoration costs), delivery and administration costs and financing interest. Sufficient data will be provided to support the delivery and administration costs claimed. It is not necessary to provide detailed object of expenditure information in support of the amounts claimed monthly for delivery and administration costs.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by MHRC.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from MHRC for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims for the calendar year.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix "2" (Information Requirements) of this Schedule and summarized by program activity. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit and may be based on reasonable estimates.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment information as at 31 December will be submitted for planning and monitoring purposes and to support information contained in CMHC's records.

Outstanding commitment information will be classified by year of commitment approval. This will include a detailed listing of projects committed and not yet receiving assistance.

This information is required to reconcile the detailed commitment files maintained by CMHC to those of MHRC.

Unaudited information must be submitted to CMHC no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by MHRC by 30 April. This information will be certified by a senior financial officer of MHRC.

SCHEDULE A - 4

RURAL AND NATIVE HOUSING
HOME OWNERSHIP AND RENTAL PROGRAM
MANITOBA

For the purpose of this Agreement the Active Party will be Manitoba Housing and Renewal Corporation (MHRC) and Canada Mortgage and Housing Corporation (CMHC) as outlined in Schedule B to the Operating Agreement.

1. OBJECTIVE

To assist Native and non-Native households in core housing need in rural areas to obtain new or existing, affordable, adequate and suitable homeownership or rental housing.

2. PROGRAM DESCRIPTION

The Rural and Native Housing Homeownership and Rental Program provides homeownership or rental projects for eligible clients. Homeownership clients pay up to twenty-five percent of adjusted annual household income, as outlined in Appendix "1" of this Schedule, towards the monthly mortgage payment (principal and interest), taxes and eligible heating costs of their units. The difference between a homeowner client's monthly payment and the amount required to amortize the mortgage, plus taxes and eligible heating costs, as outlined in program guidelines, is subsidized. Rental clients pay up to twenty-five percent of adjusted annual household income for serviced accommodation, as outlined in Appendix "1" of this Schedule. For rental projects the difference between rent revenue and economic rent is subsidized. Program costs are shared by Canada and Manitoba on a 75/25 basis.

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The Federal scale and the Manitoba scale, if the latter is to be used, are attached in Appendix "1" and must not result in occupant households remaining in core housing need.

Rental and homeownership units can be developed directly by the Active Party through Sections 40 and 55 of the Act. This approach may be used for the acquisition of land and construction of units, or for the acquisition and rehabilitation of existing units.

A lending approach may also be used to provide homeownership units. Loans to build or acquire units for eligible RNH homeowner clients can be made through Sections 34.15 and 34.16 of the Act, but rehabilitation work cannot be financed through these sections. Annual contributions are provided to assist eligible RNH homeowners in repaying their loans. These are provided through Section 34.16, and through Section 34.161 for loans made through Section 34.15.

Section 40 of the Act is a federal/provincial partnership program, and has a separate Enabling Agreement.

Enabling Federal Legislation

National Housing Act:

- Uninsured Direct Loans in designated areas -
Section 34.15;
- Loans or Contribution Assistance - Section 34.16;
- Contribution Assistance - Section 34.161;

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- Development Funding and Subsidy Assistance -
Section 55 and Section 40;
- Rural and Native Housing Proposal Development Funds -
Section 37.1;
- RNH Training Funds Program - Paragraph 37(1)(e).

Enabling Provincial Legislation

Housing and Renewal Corporation Act:

- Chapter H160 CCSM as amended by Chapter 44 of the
Statutes of Manitoba 1985.

3. ELIGIBILITY CRITERIA

3.1 Delivery Agents

Provincial Native organizations identified by CMHC will be involved in the planning, delivery and administration of the program. Other groups or individuals agreed to by the parties may be eligible to act as delivery agents. Criteria for the qualification of delivery agents, such as technical and financial expertise, will be agreed to by both the federal and provincial parties.

3.2 Areas

Rural areas of 2 500 or less persons, are eligible for the Program. Rural municipal jurisdictions having a population of greater than 2 500 persons but where the population is dispersed, (i.e. no population core or centre of more than 2 500 persons), are considered rural areas eligible for the RNH program.

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3.3 Clients

- Native and non-Native households in core housing need, as defined in the Global Agreement, with total household income as defined in Appendix "1" which falls below the core need income threshold are eligible.
- Social assistance recipients are eligible if written assurance is obtained prior to commitment from the Provincial authorities concerned that the net shelter component of the recipient's social assistance will not be reduced as a consequence of purchasing or renting a unit assisted by this program.
- A client applying for assistance under the program who has previously owned or rented a CMHC or MHRC unit, and who is in arrears on that property or has caused a loss to CMHC or MHRC, does not qualify for the program until those arrears or losses are paid in full.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Project Costs - New Units, Homeowner or Rental

Eligible project costs will be shared. This includes project costs over the Maximum Unit Price which are necessary for the completion of the project for units committed under Section 40 of the NHA.

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Eligible project costs include:

- Pre-development costs - project investigation or land acquisition expenses such as water tests, soils tests and land options as outlined in program guidelines;
- Land - lesser of actual cost or market value and eligible fees associated with acquisition (not applicable on client owned land);
- Holding Costs - all costs associated with holding an asset between acquisition and sale, including property taxes, grants in lieu of property taxes, local improvement charges, insurance premiums, utility costs;
- Construction/acquisition costs;
- Interest - all interest accruing from the date of disbursement of all funds until the Interest Adjustment Date for the account. The interest rate used will be acceptable to both parties;
- Refrigerator and stove - cost of purchasing and delivering to the unit a refrigerator and stove;
- Legal fees; adjustments and registration costs; survey costs; and warranty program enrollment costs in applicable Provincial Home Warranty Program;
- Proposal Development Funds;
- Other project costs which the Parties may agree to.

4.2 Project Costs - Existing Units, Homeowner or Rental

Eligible project costs will be shared. This includes project costs over the Maximum Unit Price which are necessary for the completion of the project. Eligible project costs include the total acquisition cost,

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rehabilitation cost (Sections 40 and 55 only), and all associated fees, plus all other applicable costs listed above in "Project Costs, New Units Homeowner or Rental".

4.3 RNH Proposal Development Funds

The Active Party may make interest-free loans of up to \$10 000 per unit or \$75 000 per project available to support the development of projects by eligible sponsors for individuals or families of low income or the disabled. Such loans will apply to multiple unit projects of 12 units or more or as otherwise agreed to by the Parties.

4.4 Loans

The Active Party makes loan commitments for the acquisition or construction of houses for eligible homeownership clients. Loans provided are for up to 100% of the project lending value, as outlined in program guidelines, less any client down payment. The value of land owned by eligible clients on which RNH units are to be constructed is not an eligible project cost.

Where MHRC wishes to take, for NHA Sections 34.15 and 34.16 loans, individual mortgage securities or other securities acceptable to CMHC and MHRC in its own name, a Trust Agreement shall be entered into between CMHC and MHRC.

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5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

All clients must be in core housing need. The Active Party will ensure that all units/funds in this program are allocated within the geographic areas specified in the Operating Agreement and to priority groups in accordance with the approved three-year plan attached as Schedule B of the Operating Agreement.

Seventy-nine percent of RNH units are to be targeted to eligible Native households. Taking into account the planning process, the Active Party will assist families and senior citizens within this priority group with the intent to direct assistance in accordance with their share of core housing need relative to each other.

For eligible non-Native households, the Active Party, taking into account the planning process, will assist families and senior citizens with the intent to direct assistance in accordance with their share of core housing need relative to each other.

Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

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5.2 Delivery

Approved agents may participate in delivery and administration of the program. Where an agent is involved in program delivery and/or program administration, fees-for-service approved by the Parties may be paid. Agents contract their services with the Active Party through an Agency Agreement. The Fee-for-Service Agency Agreement stipulates the scope, terms, conditions, fees, roles and responsibilities of the agent, and will be in a form acceptable to both CMHC and MHRC.

The Active Party will ensure that a proportion of the annual allocation under this program to be agreed upon by MHRC and CMHC and included in Schedule B of the Operating Agreement, is to be made available for delivery and/or administrative participation by the provincial Native organization.

RNH training funds will be provided to eligible RNH clients, local housing groups and Natives. The RNH training funds programs are described in RNH program guidelines. Funding is shared by both Parties.

A Rural and Native Housing Tripartite Management Committee will be established. The Committee will consist of senior representatives from MHRC, the provincial Native organization and the Provincial Director of CMHC. The Committee will provide a forum for planning

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and monitoring delivery of Rural and Native housing programs. CMHC chairs the Committee. The terms of reference for the Committee are set out in Appendix "4" to this Schedule.

5.3 Selection Criteria

Housing assisted under the program will meet program definitions of adequacy and all appropriate program standards. Project design and unit type must be suitable to client household needs. Upon acquisition, existing units should be in reasonable conformity with National Housing Act Minimum Property Standards for Existing Residential Buildings, should be of sound construction and condition, and should be durable with a minimum of repair for the amortization period of the account.

6. COMMITMENT

The Active Party approves commitments after ensuring that eligible clients have been identified for the units and program guidelines have been adhered to. Where a delivery agent is involved, the agent provides the Active Party with a recommendation on commitments.

A commitment for Pre-Development funds is made on the date funds are approved for investigation of project feasibility.

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A development commitment for the purchase of land or an existing unit is made the date an Offer-To-Purchase is accepted and executed by both parties to the Offer.

A development commitment for the construction of a new unit is made prior to the date of contract approval.

A loan commitment for the purchase of an existing unit or construction of a new unit is made on the date of loan approval.

Commitments for new construction or repair of existing units will be cancelled if construction has not started within six months of the date of the Notice of Commitment.

A commitment for RNH Proposal Development Funds is made when the Active Party approves a loan for this purpose to an eligible sponsor.

A commitment on RNH training funds is made when the Active Party undertakes to provide funds for RNH training to eligible recipients as outlined in RNH Program Guidelines.

The reporting of commitment take-up will be:

. Capital Commitment Dollars

The dollar value of the loans/investments approved and increases/decreases thereto for the building of new

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units or the acquisition and repair of existing units within the capital commitment budget.

. Subsidy Units

The number of units committed for which subsidies will be provided for either Homeownership or Rental Projects within the subsidy unit budget. A unit is defined as a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household. The sale of a reacquired homeownership unit to a subsequent eligible client (recycled unit) is not a new subsidy unit commitment from the program allocation.

. RNH Proposal Development Funds

The capital dollars committed to provide interest-free loans to eligible sponsors through Section 37.1 of the Act.

. RNH Training Funds

The dollar value of funds approved.

7. ADVANCING

Where a project or unit commitment has been made, the Active Party will ensure that the appropriate title/deed documents and mortgage have been registered or other security acceptable to CMHC has been obtained prior to any advances being made.

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No title or security is required by the Active Party to make advances under commitments of pre-development funds.

Where an RNH Proposal Development Funds commitment has been made, the Active Party approves and makes accountable advances of loan funds which are secured by a promissory note.

The Active Party makes advances in accordance with program guidelines based on work in place for new construction or repairs on existing units. Advances for acquisition are made on the closing of the purchase.

Prior to final advance being made, the Active Party performs a final inspection to ensure that all work has been completed and is in reasonable conformity with required Standards. Upon final advance, and in any event, within 6 months of Interest Adjustment Date, a final cost certificate will be submitted to the other party, and any unused commitment dollars will be cancelled. Confirmation of Interest Adjustment Date and final loan amount will be provided to the other party within five (5) working days of Interest Adjustment Date.

8. PROJECT/PORTFOLIO ADMINISTRATION

The Active Party will manage rental projects and administer the homeownership portfolio in a prudent, cost-effective manner in accordance with program

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guidelines. Agents or local housing authorities acceptable to CMHC and MHRC may be utilized to manage rental projects, and/or to perform administrative services on homeownership units/accounts such as securing vacant units.

The Active Party will ensure that annual reviews of household income are undertaken to determine the level of continued assistance the household may receive in accordance with the Payment-to-Income scale as outlined in Appendix "1" of this Schedule.

9. ELIGIBLE PROGRAM COSTS

The eligible program costs will be shared on a 75/25 basis by Canada and Manitoba. Eligible program costs include:

9.1 Budgetary Costs

Budgetary costs include the following:

. Fees-for-service - Delivery Agents

Fees-for-service paid to provincial Native organizations or other eligible program delivery agents for work they perform in the delivery and/or administration of the program. Fee levels will be jointly determined by CMHC and MHRC. Fees-for-service are not applicable on program delivery or administration activities which the Active Party performs directly, without Agent involvement.

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. Pre-Development Costs

Eligible budgetary expenditures for project investigation or land acquisition expenses such as water tests, soils tests and land options, on projects which do not proceed, as outlined in RNH program guidelines.

. RNH Proposal Development Funds

Eligible budgetary expenditures include the interest costs on RNH Proposal Development Funds loans for the period between when funds are advanced and the loan is repaid out of the first advance. On projects that do not proceed to commitment, the forgiveness of these loans will be shared.

. RNH Training Funds

The Client Training Program provides funds to facilitate the training of clients and local housing groups as outlined in program guidelines.

The RNH Secondment Program makes funds available to provide professional assistance to eligible local housing groups to enable them to develop their capacity to deliver and/or administer housing.

The Native Cadre Training Program provides funds to facilitate the development of Native people to enable them to participate in delivering/administering housing programs.

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. Post-Occupancy Repair Costs - Homeowner Units

Eligible costs associated with correcting defects in workmanship and defective materials not covered by the Provincial Home Warranty Program, as outlined in program guidelines. Specific unit limits exist; prior approval of the other party is required before costs in excess of these limits may be incurred.

. Warranty Costs - Homeowner Units.

Warranty repair costs (for units developed by the Active Party as registered builder) as outlined in program guidelines.

. Post-Development Costs - Homeowner Units

Project costs which are not recovered through the project sale/mortgage, such as interest charges or costs incurred which are eligible costs but which are not considered appropriate to charge to the project because it would render it non-saleable, as outlined in program guidelines.

. Maintenance Costs - Reacquired Homeowner Units

Expenditures for insurance, building materials and labour to secure units and/or to maintain the property and equipment in its existing condition.

. Selling Costs - Reacquired Homeowner Units

Costs associated with selling units to subsequent clients.

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. Modernization and Improvement - Rental Units or
Reacquired Homeowner Units
Eligible expenditures to restore units to a marketable
condition. These include:

- (a) Replacement of items which have a shorter lifespan
than the building structure, eg. stoves, refrigerators, carpets, roof membranes, etc.
- (b) Modernization - the difference in cost between
replacing the original items in (a) at current cost
and the cost of more modern items or systems.
- (c) Improvements - structural changes which increase
the value of real estate, either by increasing the
present value or by extending the economic life.

Specific unit limits exist; prior approval of the
other party is required before costs in excess of
these limits may be incurred.

- . Operating Costs - Rental Units
Expenditures for maintenance, janitorial services,
grounds keeping, insurance, equipment, and waste
removal.
- . Utilities - Rental Units or Reacquired Homeowner Units
Expenditures for heat, electricity, water and sewerage.

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. Heating - Homeowner Units

Estimated eligible heating costs as outlined in
"Heating Cost Tables to Aid Lenders in the Calculation
of G.D.S.", NHA 5865.

. Taxes - Rental and Homeowner Units

Annual property taxes, grants in lieu of taxes, and
local improvement charges.

. Ground rent on leased land.

. Other - Rental and Homeowner Units

All eligible expenditures and recoveries for eligible
items not included in the above list of eligible costs,
as outlined in program guidelines.

. Amortization - Rental and Homeowner Units

The full principal and interest required to amortize
the original investment/loan, using the original
Interest Adjustment Date, amortization period and
interest rate at the date of commitment.

. Financing Interest

Any financing interest payable on budgetary receipts
and disbursements will be calculated at an interest
rate acceptable to both parties. Interest in such
cases will be calculated on net expenditures to the
date of reimbursement.

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. Publicity - Rental and Homeowner Units

The costs of program publicity measures and materials as agreed upon by the Parties.

. Program Delivery and Administration Costs

Eligible costs of delivery and administration based on performance standards acceptable to CMHC.

. Revenues - Rental and Homeowner Units

Revenues which reduce budgetary expenditures, (includes rent, client ability payment, proceeds from unit/project sale).

9.2 Non-Budgetary Costs

Non-budgetary costs include:

. Eligible Project Costs

Costs of a project as outlined above in 4, "Eligible Project Costs/ Assistance".

. RNH Proposal Development Funds

Loans of up to \$10 000 per unit or \$75 000 per project to eligible sponsors. Such loans will apply to multiple unit projects of 12 units or more or as otherwise agreed to by the Parties.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and are specified in the program guidelines.

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11. INFORMATION REQUIREMENTS

The Active Party will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in program guidelines, are provided to the other party.

RNH Proposal Development Funds commitment information will be provided no later than five (5) working days after a commitment is made.

Commitment data will be provided no later than five (5) working days after a commitment is made. Updates to previously communicated commitment data will be transmitted in a similar basis.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration, or receiving subsidies, as at 31 December of that year.

Annual project operating data will support the final audited claims and this, along with client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

Information pertaining to the achievement of Native targets will also be made available to the provincial Native organization upon request.

PROGRAM ELIGIBILITY

DEFINITION OF TOTAL HOUSEHOLD INCOME

For purposes of determining eligibility under this program, total household income is the total income of the household (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.

FEDERAL PAYMENT-TO-INCOME SCALE

DEFINITION OF ADJUSTED INCOME

For purposes of establishing the monthly payment, the Active Party will assess the annual "adjusted income" of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- Exclude from income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this payment-to-income table, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to the active party.

For the purpose of calculating payment, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the payment. Room and board paid to the household head or spouse will not be considered as part of the household's income.

BASIC PAYMENT

The basic payment will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following payment-to-income table, less an adjustment for heating for home-ownership units.

PAYMENT-TO-INCOME TABLE
MONTHLY INCOME AND PAYMENT

Adjusted Income (\$)	Per Cent	Monthly Payment (\$)	Adjusted Income (\$)	Per Cent	Monthly Payment (\$)
192	16.7	32	303	22.4	68
201	17.4	35	312	22.8	71
210	18.1	38	321	23.1	74
220	18.6	41	330	23.3	77
229	19.2	44	340	23.5	80
238	19.7	47	349	23.8	83
247	20.2	50	358	24.0	86
256	20.7	53	367	24.3	89
266	21.1	56	376	24.5	92
275	21.5	59	386	24.6	95
284	21.8	62	395	24.8	98
293	22.2	65	404 and up	25.0	

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic payment will be the greater of the shelter component of welfare or the payment as determined on the basis of the above table, in conjunction with the household's total adjusted income.

PAYMENT ADJUSTMENTS

- For rental units, the basic payment is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- For homeownership units, the basic payment is that payment required on the part of the occupant(s) of the dwelling for mortgage principal, interest and taxes as well as eligible heating costs as outlined in program guidelines. An estimated heating cost as outlined in "Heating Cost Tables to Aid Lenders in the Calculation of G.D.S.", NHA 5865 will be deducted from the basic payment outlined in the Payment-to-Income Table. The homeowner is responsible for paying to the supplier the cost of heating.
- Where the rental client pays for any of the services identified as part of a fully serviced rental unit over and above the basic payment, such basic payment will be reduced by an amount which will take into account the client's additional expenses subject to the minimum monthly payment.
- Where services other than those identified as part of a fully serviced rental unit are provided, the basic payment will be increased to reflect the full economic costs of providing such services.
- There will be no payment maximum set unless approved by the Parties.
- No payment will be set lower than \$32 per month for homeowner and rental clients.

SCALE IN USE

The Active Party may utilize a payment scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of the MHRC's scale or the Federal Payment-to-Income Scale produces the lowest annual operating losses. Any scale in use must not result in occupant households remaining in core housing need.

INFORMATION REQUIREMENTS: SUMMARY

Commitment Data:

- this data is submitted by way of Notice of Commitment forms;
- the Notice of Commitment forms contain the following generic data elements:
 - commitment type;
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF);
 - sponsor, location, loan amount, number of units proposed.
- project description:
 - description of dwelling,
 - number of units by unit and building type,
 - use of floor area;
 - heating type/eligible heating costs (RNH homeowner only)
- financial data:
 - project financing, amount, terms, rates,
 - equity,
 - grants;
- project capital costs:
 - land,
 - improvements,
 - construction, acquisition or renovation costs (appraisal estimate until final costs determined);
- project operating data (where RNH-Rental is provided):
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;
- project procurement and acquisition technique;
- services to the project and source (sanitary services, electricity, water);
- project pre-development costs; post-development costs; warranty enrollment fees;
- delivery agency identifier;
- agency fee information;
- project recycling information;
- account identification information.

- this information, or part of it will be updated through a project's life cycle (e.g. at PDF commitment, at establishment of IAD, at final costs for example).
- RNH Training Funds:
 - funds approved, training program, number of training events and contracts, names of recipient organizations and/or persons.

Client Data:

- this data is provided once a year and pertains to clients served in that year;
- the data provided will pertain to:
 - household composition;
 - household income and its source;
 - native ancestry;
 - presence of special needs;
 - size and type of dwelling occupied;
 - rent/"ability payment";
 - condition and affordability of household's previous dwelling.

Operating Data:

- this data is provided once a year in support of audited final subsidy claims and contains the following generic data elements:

(For Homeowner-RNH)

- annual amortization costs;
- annual taxes;
- eligible heating costs;
- client "ability payment";
- warranty costs;
- post-occupancy repair costs;
- arrears.

(For Rental-RNH)

- annual amortization costs;
- annual taxes;
- project operating costs (such as financing charges, utilities, maintenance);
- project revenues (such as rents, parking, laundry);
- management expenses, including tenant counselling;
- modernization and improvements;
- arrears.

BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims can be grouped by the following categories:

- A. Budget Preparation
- B. Budget Administration
- C. Commitments
- D. Claims
- E. Annual Information - Audited
 - Unaudited
- F. Budgetary Expenditure Accruals

For the Rural and Native Housing Homeownership and Rental Program all budgeting, claims, and reporting will be segregated into the following activities unless otherwise indicated:

- Section 40 - Homeownership
 - Rental
- Section 55 - Homeownership
 - Rental
- Section 34.15/34.16/34.161 - Homeownership
- Section 37.1 - Proposal Development Funds
- Paragraph 37(1)(e) - RNH Training Funds

A. BUDGET PREPARATION

A three-year financial plan is developed on an annual basis as part of the joint planning process. It identifies planned commitment levels, expenditure levels, and cash flow patterns over the planning period which includes the budget year and the following two years. Commitment activity is planned on a calendar year basis whereas expenditure activity is planned on a 31 March fiscal year basis. Cash flow is presented on both a calendar and fiscal year basis for five years. Commitment, expenditure and cash flow estimates for the year preceding the budget year and the two years following the budget year are presented for planning, information and monitoring purposes only.

Budget limits for the budget year are established in Schedule B to the Operating Agreement.

Three year plans will be established by activity for the following areas:

1. Commitments - Units
2. Commitments - Budgetary
 - Non-budgetary
3. Budgetary Expenditures
4. Cash Flow Forecast - Budgetary
 - Non-budgetary

1. Commitments - Units

Schedules of units committed and units placed under subsidy will be used to derive the forecasts of budgetary and non-budgetary expenditures.

Data on characteristics of the proposed units (split between new construction and existing construction, average unit capital cost,

A. BUDGET PREPARATION (Cont'd)

total capital costs of the units that will be amortized, projected interest rates, average length of the subsidy, amortization period, average annual operating costs, and proposed phase-in rates) will be required to support the derivation of expenditures.

2. Commitments - Budgetary

Commitments for RNH Training Funds will be expressed in terms of budgetary expenditures.

- Non-budgetary

Commitments for Sections 34.15, 34.16, 40, and 55 loans and investments will be expressed in terms of capital (non-budgetary) dollars required and will be supplemented by data on characteristics of proposed units as described under 1 (Commitments - Units).

Commitments for Proposal Development Funds will be expressed in terms of capital (non-budgetary) dollars required. The projected average loan amount and the number of units/projects assisted by Proposal Development Funds will also be provided.

3. Budgetary Expenditures

For the various activities in this program, as defined above, budgetary expenditures will be displayed on a portfolio basis by program by type of expenditure (e.g. operating costs, revenues, amortization, modernization and improvement, agency fees, delivery and administration costs, and financing interest) in accordance with program guidelines.

For Proposal Development Funds, the amount of loan forgiveness will be provided.

For RNH Training Funds, the amounts to be disbursed will be provided.

4. Cash Flow - Budgetary

A summary of the expected quarterly cash flow of budgetary expenditures will be provided to assist in cash management.

- Non-budgetary

A summary of the expected quarterly cash flow of non-budgetary expenditures will be provided to assist in cash management.

B. BUDGET ADMINISTRATION

The approved annual budget is contained in Schedule B of the Operating Agreement. Changes to an approved budget must be determined and communicated in accordance with the Operating Agreement and the guidelines.

C. COMMITMENTS

Commitments for loans and investments for housing will be reported in units and in capital dollars; commitments for Proposal Development Funds will be reported in capital dollars; and commitments for RNH Training Funds will be reported in budgetary dollars.

Commitments will be submitted by the Active Party to the other party within five (5) working days after making the commitment on a mutually acceptable commitment form. The other party shall acknowledge receipt of commitment.

D CLAIMS

Claims for settlement between the parties will be submitted on a monthly basis within thirty days of the end of the month to which the transaction relate. Claims will contain sufficient information to permit:

- a) interim verification that the amounts being claimed or remitted are reasonable and within approved budgets;
- b) the recording of the necessary accounting entries relating to budgetary and non-budgetary expenditures and asset balances; and
- c) the monitoring of the status of the portfolio through continuity schedules of units committed, units under subsidy and asset balances.

The entire financial activity of the program shall be reported by the Active Party, together with each party's proportionate share of expenditures.

Budgetary expenditures related to prior year accruals will be reported.

Amounts claimed for budgetary expenditures may be based upon estimates of actual activity. Estimates must be adjusted to actual on a periodic basis in accordance with program guidelines.

The monthly claim for the Rural and Native Housing Program will include:

1. Continuity Schedule: Asset Balances and Units.

This schedule is required to enable the other party to monitor the status of the portfolio in terms of non-budgetary expenditures and units, both under construction and under subsidy (repayment). Sufficient information will be included on commitments, advances, interest, amortization, arrears, and other asset related activity to ensure that advances plus interest are within commitment amount and to record financial activity not requiring cash settlement. A listing, by project, of loan amounts being transferred from under construction (advancing) to under subsidy (repayment) at IAD will be provided and will reconcile to the continuity schedule.

This schedule will also contain information on the number of units that have been committed in the program, those that are receiving subsidies/under repayment, and those that are committed but not yet fully advanced ("outstanding commitments").

2. Continuity Schedule: Proposal Development Funds Loans

This schedule is required to monitor the loans that have been committed, advances on those loans, outstanding commitments, loans forgiven, and loan repayment.

3. Continuity Schedule: RNH Training Funds

This schedule is required to monitor the RNH Training Funds that have been committed, disbursements on these commitments, and outstanding commitments.

4. Expenditures

A report of actual expenditures and receipts or an estimate of expenditures incurred during the month is required to monitor the financial impacts of program and to inform the other party of its share of the expenditures.

D CLAIMS (Cont'd)

The expenditures will be displayed by program activity and expenditure category consistent with budget requirements. Sufficient data will be provided to support the agency fees, and the delivery and administration costs claimed. It is not necessary to provide detailed object of expenditure information in support of the claimed amounts for delivery and administration costs.

The report will also disclose the respective share of the expenditures of each party and the amounts for which reimbursement is being requested by the Active Party.

E. ANNUAL INFORMATION - AUDITED

The audited statement of budgetary and non-budgetary expenditures will provide an independent verification of the proper use of funds in accordance with the Operating Agreement and program guidelines and will be used to determine the final amount payable to or recoverable from the Active Party for the calendar year ending 31 December.

The audited statement and its supporting schedules will contain information at a level similar to that provided on the monthly claims for the calendar year.

This statement and its supporting schedules will be accompanied by operating data at the project level as outlined in Appendix 2 (Information Requirements) of this schedule. Project level operating data will be audited in accordance with program guidelines. Budgetary expenditures will be broken down by year of commitment in a supporting schedule. This schedule does not require audit and may be based on reasonable estimates.

Audited information will be submitted no later than 30 June.

ANNUAL INFORMATION - UNAUDITED

Annual outstanding commitment and asset balance information, by account, as at 31 December will be submitted for planning and monitoring purposes and to support information contained in the other party's records.

A listing by project of outstanding commitment information will be presented by year of commitment and show the total advances to date including interest, if any, for loans and investments, Proposal Development Funds, and RNH Training Funds.

A listing by project of asset balances and terms (interest rate, IAD, amortization period, arrears) will be provided.

This information is required to reconcile the detailed asset and commitment files maintained by CMHC to those of the province.

Unaudited information must be submitted to the other party no later than 31 January.

F. BUDGETARY EXPENDITURE ACCRUALS

Budgetary expenditures which have been incurred but not disbursed within the fiscal year ending 31 March and which, in accordance with program guidelines, should be charged to the budget for that year, will be reported by the Active Party by 30 April. This information will be certified by a senior financial officer of the Active Party.

TRIPARTITE MANAGEMENT COMMITTEE - TERMS OF REFERENCE

The RNH Tripartite Management Committee responsibilities under the Rural and Native Housing program are listed below:

- Proposing annual and three-year housing plans in accordance with the Operating Agreement.
- Identifying and setting priorities for rural areas and communities requiring RNH homeownership and rental activity and establishing the number of units to be provided in each area/municipality in accordance with the Operating Agreement.
- Ensuring that residents of the selected rural areas and municipalities are properly informed of the program.
- Establishing the strategy for the delivery of the program within the national guidelines.
- Determining the role of Native delivery agents and giving them specific direction in carrying out their activities.
- Coordinating the various activities attendant to the delivery strategy for the program.
- Monitoring all program delivery related activities on an ongoing basis.
- Developing and maintaining all necessary information on the housing needs of the client group.
- Ensuring that there is client counselling service available.
- Providing direction to Native delivery agents with respect to counselling strategies and ensuring that appropriate resources are available.
- Coordinating the client counselling activities provincially.